



Retirement Board Agenda October 19, 2023

Click Link to Join Zoom Meeting:

<https://ohsers.zoom.us/j/97594810610?pwd=SUh2WnRZZHhrRmJodjJvMjNiRlpsQT09>

Meeting ID: 975 9481 0610

Password: 739862

To join by phone, dial: (929) 205-6099 and enter the Meeting ID: **975 9481 0610** and Password: **739862** when prompted.

PLEDGE OF ALLEGIANCE

1. Roll Call

CONSENT AGENDA

2. Minutes of the **September 21, 2023**, Retirement Board meeting
3. Summary of Investment Transactions
 - August 1 to August 31, 2023
4. Retirement Report
 - Superannuations and Survivor Benefits
 - Special Cases
5. Disability Report
 - Approval of Disability Benefits
 - Disapproval of Appeal of Termination – Any Occupation
 - Disapproval of Disability Benefits

INVESTMENT REPORT

6. Annual Portfolio Review – Private Equity
7. Monthly Investment Report – Period Ending 8/31/2023
8. Interim Asset Allocation Targets – Global Equities and Private Equity (R)

RECESS FOR MEMBERSHIP APPEAL

9. Membership Appeal – **10:00 a.m. (R)**

EXECUTIVE DIRECTOR'S REPORT

10. Executive Director's Update
11. Review of Administrative Expenses
12. CBBC Discussion (R)
13. Definition of Compensation Discussion

COMPENSATION COMMITTEE REPORT

14. Executive session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee (R)

TECHNOLOGY COMMITTEE REPORT

15. Technology Committee Update

RETIREMENT REPORT

16. Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits (R) *if needed*

BOARD COMMUNICATION AND POLICY ISSUES

17. Calendar Dates for Future Board Meetings
18. Continued or New Business
 - Board Information Requests and Follow-up Items

Adjournment (R)

FY2024 SERS Board Roll Call

Frank Weglarz	_____
Matthew King	_____
Jeffrey DeLeone	_____
James Haller	_____
Catherine Moss	_____
Barbra Phillips	_____
James Rossler	_____
Aimee Russell	_____
Daniel Wilson	_____

OCTOBER 2023 CONSENT AGENDA

1. Minutes of the
 - a. **September 21, 2023**, Retirement Board meeting
2. Summary of Investment Transactions – **August 1, 2023 to August 30, 2023**
3. Retirement Report
 - a. Superannuations and Survivor Benefits and Transfers
 - b. Special Cases
4. Disability Report
 - a. Approval of Disability Benefits
 - b. Disapproval of Disability Benefits
 - c. Approval of Appeal of Termination – Any Occupation

APPROVAL OF CONSENT AGENDA

_____ moved and _____ seconded the motion to approve the Consent Agenda, which includes the following items:

- 1. Minutes of the
 - a. **September 19, 2023**, Retirement Board meeting
- 2. Summary of Investment Transactions – **August 1, 2023 to August 30, 2023**
- 3. Retirement Report
 - a. Superannuations and Survivor Benefits and Transfers
 - b. Special Cases
- 4. Disability Report
 - a. Approval of Disability Benefits
 - b. Disapproval of Disability Benefits
 - c. Approval of Appeal of Termination – Any Occupation

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

SERS Retirement Board Meeting Minutes

September 21, 2023

The nine hundredth and sixty-second meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, and streamed via Zoom videoconferencing on Thursday, September 21, 2023.

Pledge of Allegiance

The SERS Retirement Board meeting convened at 8:30 a.m. with the Pledge of Allegiance.

Roll Call

Following the Pledge of Allegiance, the roll call was as follows: Frank Weglarz, Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, and Daniel Wilson. Absent: Barbra Phillips. Also attending in person was Lisa Reid, representative of the Ohio Attorney General's Office and various members of the SERS staff. Several SERS staff members and members of the public attended virtually.

Consent Agenda

The consent agenda for **September 21, 2023**, included:

- Minutes of the July 20, 2023, Retirement Board meeting
- Summary of Investment Transactions for the period of June 1, 2023, to June 30, 2023 and July 1, 2023 to July 31, 2023
- Retirement Report – Superannuations, Survivor Benefits, and Transfers
- Disability Report – Approval of Disability Benefits, Disapproval of Disability Benefits, Termination of Disability Benefits – Any Occupation, Approval of Appeal of Termination – Any Occupation,

Catherine Moss moved and James Haller seconded the motion to approve the Consent Agenda of the Retirement Board meeting held on Thursday, September 21, 2023. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

Investment Report

Quarterly Performance Report

Joanna Bewick of Wilshire Associates provided an update on the SERS investment performance as of June 30, 2023. Ms. Bewick reported the U.S. stock market was up for the second quarter and is up 19.03% for the past 12 months. The best performing sectors were information technology. Ms. Bewick stated that just a few stocks, Amazon, Apple, Google and Meta, are contributing a vast majority of the overall market return through June. Ms. Bewick noted that these companies are highly dependent on the consumer's ability to spend. U.S. real personal consumption's steady growth during the past 1.5 years will need to continue to support not just economic growth but also current stock prices. Ms. Bewick also reported that we need to prepare for a modest return for the rest of 2023. However, strong returns are expected in the next 10 years.

Ms. Bewick continued, stating that the US equity market is shared by a narrow group of investors while developed markets are outperforming emerging markets. China's market is down almost 10% and equity markets are not performing well, which is dragging down emerging markets.

Ms. Bewick also reported for fiscal year 2023, SERS posted an investment gain of 7.39% (net) and 8.14% (gross). After several questions, the board thanked Ms. Bewick for her report.

SERS Retirement Board Meeting Minutes

September 21, 2023

Quarterly Investment Report & Monthly Investment Report – Periods Ending: June 30 & July 31, 2023

Chief Investment Officer, Farouki Majeed, provided an update on the investment fund status for the month ending July 31, 2023, and for the quarter ending June 30, 2023. Mr. Majeed stated US growth slowed but remained resilient. Mr. Majeed expects that an economic slowdown will accelerate by the end of the year and in early 2024. The US labor market remained resilient, adding 187,000 jobs in August but the unemployment rate rose slightly to 3.8%. Mr. Majeed continued, stating inflation continues to decline and interest rates remained steady at 5%.

After answering several questions and a robust discussion, the board thanked Mr. Majeed for his report.

Quarterly Risk Report

Mr. Majeed introduced investment staff member Chris Hyland, Associate Investment Officer – Risk Management and Analytics. Mr. Hyland provided the Board with a quarterly risk analysis report that summarizes the current risk levels of the SERS retirement fund and individual asset classes. It also provides trend data that compares current risk levels with other time periods.

Mr. Hyland provided a presentation to the board to educate new members and refresh the knowledge base for tenured members. In June 2023, the Total Fund's expected risk was 12.6%, which decreased from the previous quarter by 0.8% and a year ago by 0.6%. The current risk level remained elevated compared to the historical average and the largest risk contribution came from the global equity portfolio at 54.0%, followed by the private equity portfolio at 21.8%. Together, the two equity portfolios contributed 75.8% of the Total Fund risk while their combined capital allocation was only 54.9%.

Mr. Majeed chimed in, adding equities have higher risk but are also expected to generate higher returns relative to other asset classes in the long term. SERS has been able to generate the same or better returns than its peers with lower risk.

Following a few questions, the board thanked Mr. Majeed and Mr. Hyland for the update.

Executive Director's Report

SERS Executive Director, Richard Stensrud, opened his report stating that SERS does not chase returns, but rather, makes calculated risks when investing. SERS is a low-risk taker compared to our peers, yet SERS continues to earn higher returns.

Ohio Retirement Study Council (ORSC)

Mr. Stensrud continued, stating the August ORSC meeting was cancelled. The ORSC met on September 14 and SERS presented its FY2023 Disability Report. SERS also reported on the most recent internal audit activity. There were no concerns regarding the information SERS provided to the ORSC.

State Legislative Activity

Mr. Stensrud continued, reporting that he and SERS staff met with Representative Adam Matthews, who is serving his first term in the Ohio House of Representatives as the Chair of the House Pension Committee. Mr. Stensrud met with Representative Matthews to discuss how SERS is similar to other systems but more importantly, distinguish how SERS is different from other pension systems. The meeting went well, and SERS staff look forward to more collaborative meetings in the future.

Federal Legislative Activity

Mr. Stensrud continued his report, stating that SERS leadership continues to communicate regularly with stakeholder groups to provide system updates and to discuss the Contribution Based Benefit Cap (CBCB), the SERS cost of living adjustment (COLA), the Windfall Elimination Provision (WEP), and other related

SERS Retirement Board Meeting Minutes

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issues. Regrettably, Mr. Stensrud noted, no progress is being made on the WEP front. Senator Larson introduced his Social Security bill which calls for a complete repeal of WEP. There continues to be disagreements between repealing vs. reforming WEP and it's not likely that the bill will make it through the Senate. There will likely be no reform until Social Security is reformed. SERS leadership will continue to monitor any WEP activity.

Stakeholders and Advocacy Groups

Mr. Stensrud reported SERS Member Services recently hosted 2 in-person workshops with employers and one webinar to help them be more effective with their engagement with SERS. Mr. Stensrud also reported that a Retiring with SERS webinar, designed for members within one year of retirement, was held with 80 attendees. Staff also convened the first virtual retirement conference of the season with 185 people in attendance. Also, SERS' member education coordinator, Cameron Vaughn, addressed 314 people at several benefit fairs and 379 members were engaged at five member meetings hosted throughout the state. SERS Member Service's team also took over 2,000 calls from members and employers.

Operation Backpack Results

Mr. Stensrud reported this July, staff donated more than 150 backpacks plus miscellaneous supplies during SERS annual Operation Backpack donation drive. Items collected were given to central Ohio families who need a little help giving their kids the tools they need to succeed in school.

Cristo Rey Intern

Mr. Stensrud continued, stating SERS is pleased to have a new Cristo Rey High School student intern who began working with us earlier this month. The student will work one to two days a week in the Print Shop. The money the student earns will go directly to the school to help pay for education expenses.

Cost of Living Adjustment (COLA) Discussion

Mr. Stensrud continued his report and provided the board with a handout that shows the possible COLA levels and impact of what the COLA decision will be. The board discussed several levels up to 2.5%. SERS actuary Cavanaugh Macdonald advised that selecting a 2.5% COLA would not materially impair the SERS funded status.

It was moved by Jeffrey DeLeone and seconded by Catherine Moss that eligible SERS allowances, pensions and benefits shall receive a 2.50% cost-of-living adjustment (COLA) in calendar year 2024 as SERS' actuary, Cavanaugh Macdonald, has determined pursuant to R.C. 3309.374(G) that a 2.50% COLA does not materially impair the fiscal integrity of the retirement system. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

Actuarial Valuation Report – Allocation of Employer Contributions – Health Care Fund

Mr. Stensrud continued his report and provided the board with an opportunity to ask questions of SERS actuary, Alisa Bennett of Cavanaugh Macdonald, regarding the allocation of employer contributions to the health care fund. With no questions from the board, Jeffrey DeLeone moved and James Haller seconded that after discussion with SERS' actuary, Cavanaugh Macdonald, regarding the preliminary results of the annual basic benefits valuation (to be prepared as of June 30, 2023) at the September 2023 Board meeting, the Board elects to allocate 0% (zero percent) of the 14% employer contribution to the Health Care Fund for fiscal year 2024 in accordance with the funding policy approved by the Board on June 18, 2015. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

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Amended Health Care Surcharge Minimum Compensation Amount for FY2024

Alisa Bennett of Cavanaugh Macdonald continued and provided additional information regarding the employer health care surcharge minimum compensation amount. At the November 2022 Board meeting, the Board approved a resolution accepting the recommendation of SERS's actuary, Cavanaugh Macdonald Consulting, LLC, to establish \$25,000 as the minimum compensation amount for purposes of the fiscal year 2024 Employer Health Care surcharge. After reviewing the fiscal year 2023 surcharge file projected forward to 2024, the actuary is recommending that SERS increase the 2023-2024 fiscal year minimum compensation amount to \$30,000. In addition, they are recommended \$30,000 as the minimum compensation amount for the fiscal year 2025 Health Care surcharge.

The recommendation is based on:

- Current Board discussions regarding SERS compensation rules.
- Compensation increases by employers to remain competitive in the job market.
- Revised data after uncertainties in 2022 coming off the COVID-19 pandemic.

After several questions, Jeffrey DeLeone moved and James Haller seconded to amend the resolution passed at the November 2022 Board Meeting that established \$25,000 as the minimum compensation amount for purposes of the fiscal year 2024 Health Care surcharge and instead set forth \$30,000 as the minimum compensation amount for purposes of the Fiscal Year 2024 Health Care surcharge. The amended minimum compensation amount is recommended by SERS' actuary, Cavanaugh Macdonald, and in approving the amended minimum compensation amount the Board accepts the actuary's recommendation. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

Health Care Surcharge Minimum Compensation Amount for FY2025

Matthew King moved and Catherine Moss seconded the motion to accept the recommendation of SERS's actuary, Cavanaugh Macdonald, and establish \$30,000 as the minimum compensation amount for purposes of the Fiscal Year 2025 Health Care surcharge. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

Year End Budget To Actual Report and Administrative Expenses

Marni Hall, SERS Chief Financial Officer, provided an update on the administrative expenses. SERS spent 94% of the FY2023 budget and all major line items came in under budget. Board member Daniel Wilson questioned why the personnel line item was over budget and Ms. Hall explained that this fiscal year was a 27 pay budget, not the normal 26 pay periods and that was missed when planning the FY2023 budget. Ms. Hall also reported that money was budgeted for new tenant renovations that were not needed. Following a brief discussion, the board thanked Ms. Hall for her report.

Filing of Proposed Amended Administrative Rule

SERS Legal Counsel presented two categories of resolutions on administrative rules. The first is request is approval to file with JCARR the following proposed amended rule: 3309-1-35 Health Care. The proposed amendments to this rule reflect the Board's decision from March 2023 to change the non-Medicare disability health care subsidy amounts to equal that of service retirees by years of service, effective January 1, 2024. As discussed at that time, the proposed amendments to Ohio Administrative Code rule 3309-1-35 are necessary to give effect to those changes and will also be effective January 1, 2024.

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-35 Health care. Jeffrey DeLeone moved and Catherine Moss seconded that proposed amended rule 3309-1-35 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone,

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James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

Final Filing of Proposed Amended Administrative Rules

The Board approved filing rules 309-1-04, 3309-1-18 as proposed rules at its June Board meeting. These rules have been reviewed by JCARR and are ready for final adoption. Legal Counsel discussed with the Retirement Board the following proposed amended rules: 3309-1-04 Election of retirement board members and 3309-1-18 Payment of contributions, that have been reviewed by JCARR and are ready for final adoption by the Board. Jeffrey DeLeone moved and Catherine Moss seconded that proposed amended rules 3309-1-04 and 3309-1-18 be adopted. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

Cincinnati Retirement System – Transfer of Service Credit Agreement

SERS Legal Counsel updated the board of the status of the Cincinnati Retirement System. SERS' statute governing the transfer of service credit between SERS and Cincinnati Retirement System (R.C. 3309.74) includes a condition that SERS, through the Retirement Board, enter into an agreement that is consistent with the requirements of R.C. 3309.75, Transfer of credit from Cincinnati Retirement System, and R.C. 3309.76, Transfer of SERS credit to the Cincinnati Retirement System.

In accordance with this condition SERS and CRS entered into a Transfer of Services Credit Agreement in 2001. The proposed Transfer of Service Credit Agreement has been amended to reflect amendments to the relevant statutes. Notable amendments add the following conditions: In order to transfer credits an eligible member must be eligible to retire, agree to retire within ninety days of the transfer and must have more credit in the system receiving the transferred credit.

It was moved by Catherine Moss and seconded by Jeffrey DeLeone that the Executive Director be authorized to negotiate and execute a Transfer of Service Agreement between SERS and the City of Cincinnati on behalf of the Board of Trustees of the Cincinnati Retirement System, as authorized by sections 3309.74 – 3309.76 of the Ohio Revised Code, that amends and replaces the Transfer of Service Credit Agreement entered into by the parties on December 3, 2001. The effective date of the new agreement is October 1, 2023. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

CBBC Factor

Mr. Stensrud continued his report with a discussion of the Contribution Based Benefit Cap. In order to move forward on implementation of the Contribution Based Benefit Cap (CBBC), the Board will need to adopt the 'factor' that will be used as the multiplier of the employee contribution annuity that is compared to the formula benefit. This multiplier/factor establishes the 'outer limit' of the acceptable gap between the formula benefit and the contribution-funding benefit.

To assist with the assessment of what the factor should be, the Board has been provided with the following information:

- An analysis of the retirements in 2023 that shows how many retirees would have been impacted if the factor was set at 3, 4, 5, 5.5 and 6 or above. With this data set, of the nearly 3,000 retirements in 2023, only 22 people would have been impacted by the CBBC if the factor was set at 5.5 and only 10 people would have been impacted if the factor was set at 6. The board was also provided with information regarding the career profile of the people who would have been impacted to help identify the elements that would have triggered application of the CBBC.
- Scenarios drawn from actual retirements that show how/whether a CBBC with a factor of 5 or 6 would impact retirees with different career patterns and compensation history and a summary of the scenarios.

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Mr. Stensrud advised the board that deciding on the CBBC factor sooner rather than later is important because it will allow SERS staff to counsel, communicate with, and assist members in determining whether the CBBC will impact them, and if so, what the impact will be.

Mr. Stensrud continued, stating that SERS has had extreme cases of benefit inflation and the CBBC is designed to minimize those losses. After a robust discussion, it was decided to delay voting on a CBBC factor until all nine board members are present to participate in the vote. The board hopes to make a final decision on the CBBC factor at the October board meeting.

Retirement Report

There was no executive session for the retirement report.

Compensation Appeal – Affirm Final Staff Determination

The board recessed at 12:00 p.m.

The board reconvened at 12:16 p.m.

Catherine Moss moved and Aimee Russell seconded to affirm the June 14, 2023 Final Staff Determination that a lump sum payment of \$6,000.00 for obtaining an Associates' degree does not meet SERS' definition of compensation. Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

Audit Committee Report

Audit Committee Update

SERS Chief Audit Officer, Jeff Davis, provided an update on the audits that have been completed so far in FY2024, which include the Undue Influence, Investment Incentive Compensation, and Conflict of Interest audits. Mr. Davis advised that all FY2024 audits are moving according to schedule and there have been no unusual findings. The board thanked Mr. Davis for his update.

Audit Committee Charter Amendment

Catherine Moss moved and Matthew King seconded to accept the recommendation of the SERS Audit Committee to amend the Audit Committee Charter. Specifically, language in section 1.4 of the Charter that reads "Review the Comprehensive Annual Financial Report" will be amended to state "Review the Annual Comprehensive Financial Report". Upon roll call, the vote was as follows: Yea: Matthew King, Jeffrey DeLeone, James Haller, Catherine Moss, James Rossler, Aimee Russell, Daniel Wilson, and Frank Weglarz. Absent: Barbra Phillips. The motion carried.

Compensation Committee Report

Compensation Committee Chair, Daniel Wilson, provided an update on the work of the Compensation Committee. Mr. Wilson reported that the committee conducted a quarterly review of the Executive Director's goals and progress made to date on each goal. Mr. Wilson stated the meeting was positive and productive.

Board Communication and Policy Issues

Board Information Request & Follow Up Items

There were no requests for board information or follow-up items.

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Calendar Dates for Future Board Meetings

The board reviewed the meeting dates for 2023 and 2024.

CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2023

AUDIT COMMITTEE MEETINGS

December 20, 2023 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

December 21, 2023 – 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

December 21, 2023 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

October 19 – 20, 2023 - 8:30 a.m. (Thurs. and Fri.)
November 16 – 17, 2023 - 8:30 a.m. (Thurs. and Fri.)
December 21 – 22, 2023 - 8:30 a.m. (Thurs. and Fri.)

CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2024 **

AUDIT COMMITTEE MEETINGS

March 20, 2024 – 2:30 p.m. (Weds.)
June 19, 2024 – 2:30 p.m. (Weds.)
September 18, 2024 - 2:30 p.m. (Weds.)
December 18, 2024 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

March 21, 2024 – 7:30 a.m. (Thurs.)
June 20, 2024 – 7:30 a.m. (Thurs.)
July 18, 2024 – 7:30 a.m. (Thurs.) * **Special Meeting** *
September 19, 2024 – 7:30 a.m. (Thurs.)
December 19, 2024 – 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

March 21, 2024 – 12:30 p.m. (Thurs.)
June 20, 2024 – 12:30 p.m. (Thurs.)
September 19, 2024 – 12:30 p.m. (Thurs.)
December 19, 2024 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

February 15 - 16, 2024 - 8:30 a.m. (Thurs. and Fri.)
March 21 - 22, 2024 – 8:30 a.m. (Thurs. and Fri.)
April 18 – 19, 2024 - 8:30 a.m. (Thurs. and Fri.)
May 16 – 17, 2024 – 8:30 a.m. (Thurs. and Fri.)
June 20 - 21, 2024 - 8:30 a.m. (Thurs. and Fri.)

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July 18 – 19, 2024 – 8:30 a.m. (Thurs. and Fri.)
September 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)
October 17 – 18, 2024 – 8:30 a.m. (Thurs. and Fri.)
November 21 – 22, 2024 – 8:30 a.m. (Thurs. and Fri.)
December 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.)

**** Please note that these dates and times are tentative.**

Adjournment

Board Chair, Frank Weglarz, moved to adjourn to meet on Thursday, October 19, 2023, at 8:30 a.m. for the next SERS regularly scheduled Retirement Board meeting.

The SERS board meeting adjourned at 12:22 p.m.

Frank Weglarz, Board Chair

Richard Stensrud, Secretary

DRAFT

SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO

Summary of Investment Transactions to be
Reported to the Retirement Board for
Ratification in October

The following is a summary of the investment transactions made during the period of August 1, 2023 through August 31, 2023. A detailed list of these transactions can be found in the Board Agenda mailed prior to the Retirement Board Meeting.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
Global Equities	\$193.5
Fixed Income	328.3
Private Equity Capital Calls	51.2
Real Asset Capital Calls	n/a
Opportunistic & Tactical	0.7
Global Private Credit	n/a
Cash Equivalents	408.5

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
Global Equities	\$352.3	80.6
Fixed Income	324.7	(10.1)
Private Equity distributions	51.8	n/a
Real Asset distributions	8.5	n/a
Opportunistic & Tactical	0.5	n/a
Global Private Credit	n/a	n/a
Cash Equivalents	268.2	n/a



Global Private Equity Portfolio Review

Fiscal Year 2023

Presented by Investment Staff

Meeting Date: October 2023

Steve Price and Phil Sisson



- Implementation Guidelines
- Portfolio Construction
- Portfolio Management
- Fiscal Year in Review
- The Year Ahead



\$2.30 Billion Market Value

- 28 General Partners/63 Funds/10 Co-investments
 - 12 Ranked as A
 - 8 Ranked as B
 - 2 Ranked as C
 - 6 New to the portfolio
- \$1.44 Billion Unfunded Commitments

FY 2023 Performance

- 2.54% 1-Year Net Return vs. -4.03% Benchmark Return
- Co-Investments Generating Solid Returns
 - 23.57% 3-Year Return & 18.06% 5-Year Return
- Value-added performance across all periods

Long-Term Value Add to Total Fund

- Ten-year return exceeds PE benchmark with premium to public equity returns
- Distributions increased significantly in recent years
- Continuously Review and Improve Implementation



Role

- SERS invests in private equity to provide risk adjusted returns in excess of those provided by publicly traded equities

Objective

- The performance objective for private equity is to provide returns in excess of the Burgiss All Private Equity benchmark

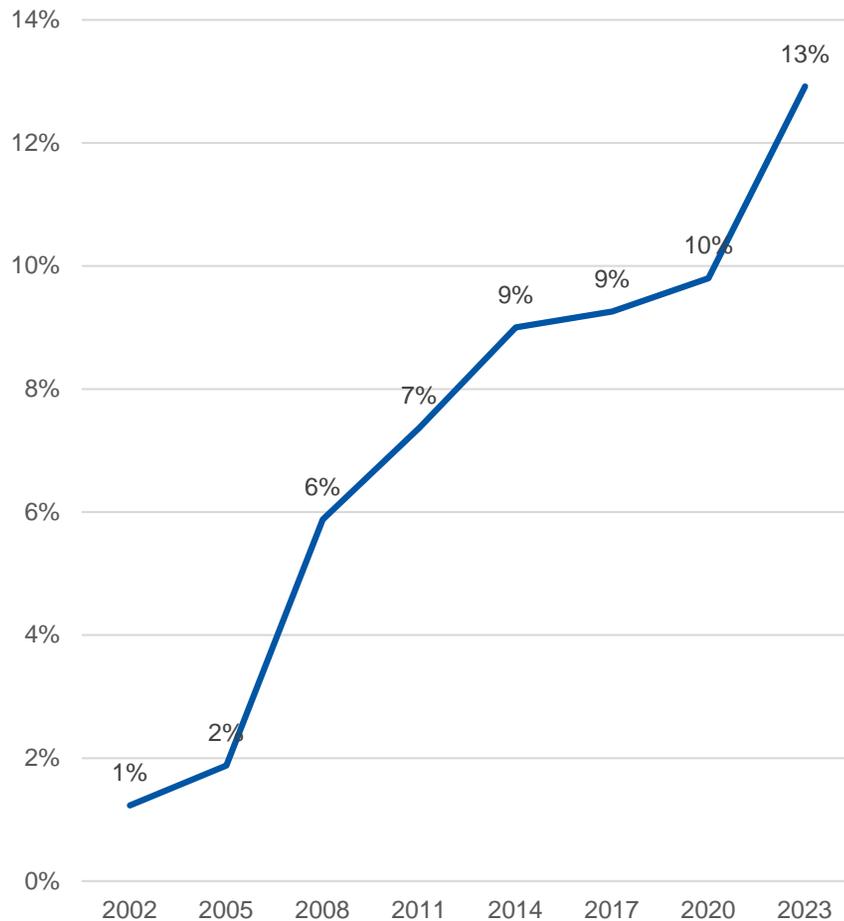
Allocation

- Target for Global Private Equity allocation set at 14% with permissible range of 11% to 17%

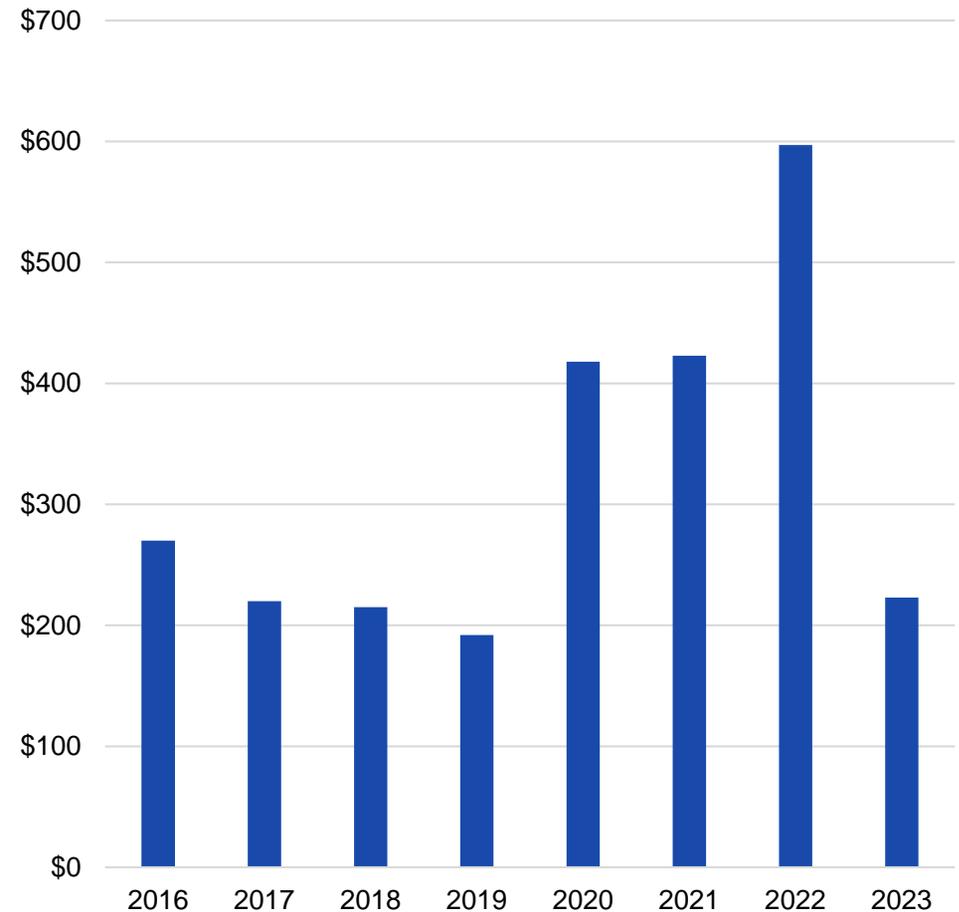
Private Equity Implementation Guidelines



Global Private Equity Allocation

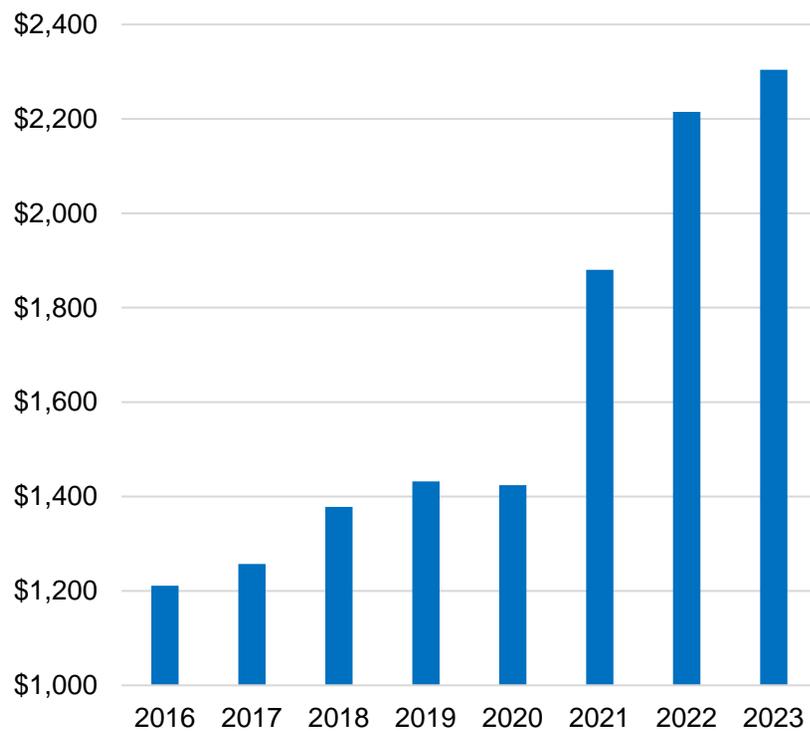


Fiscal Year Commitments (\$ millions)

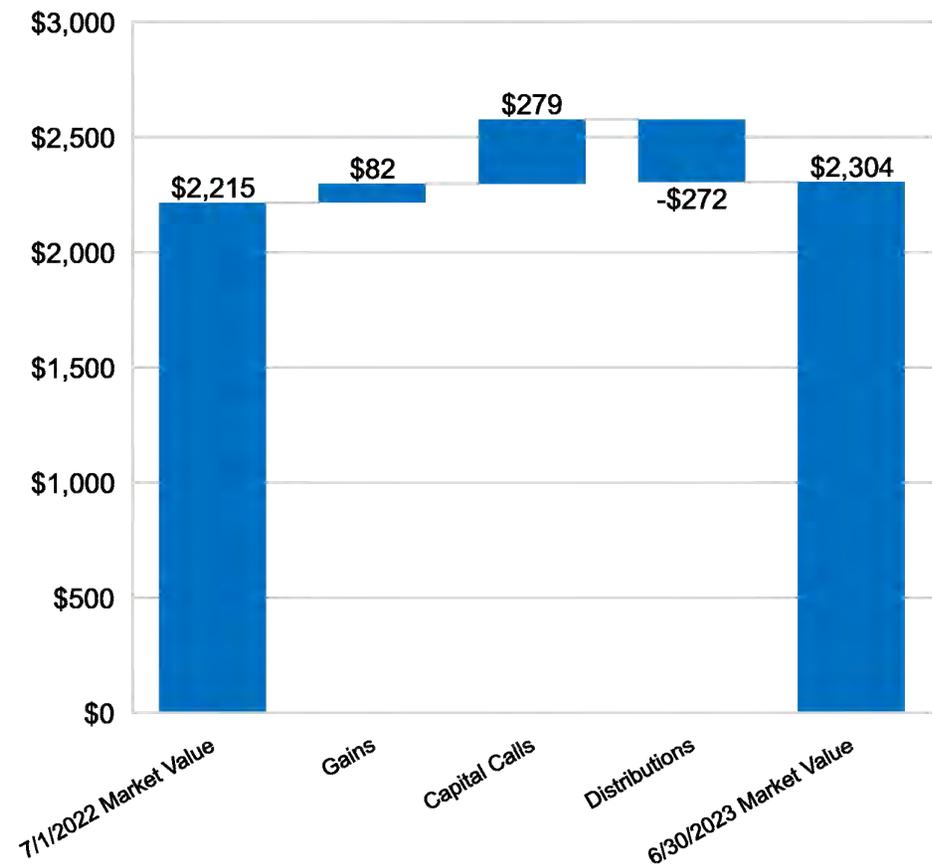




Market Value



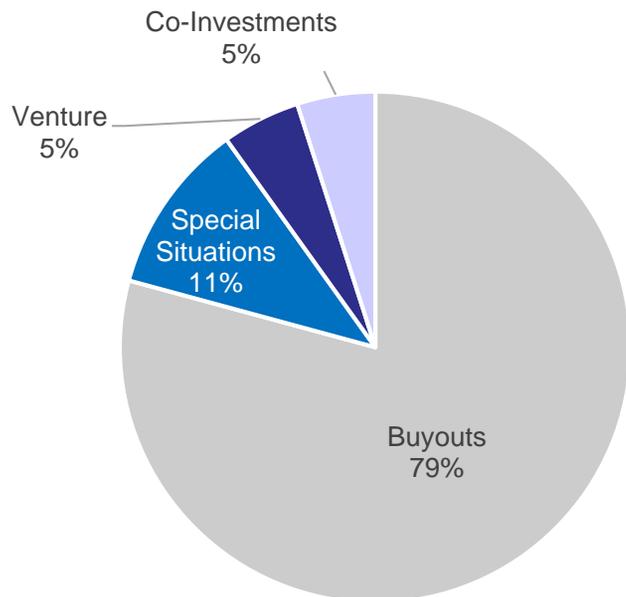
Valuation Bridge
\$ millions



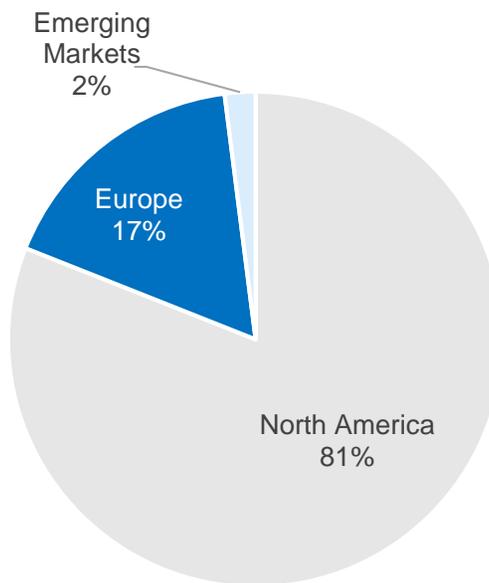
Private Equity Portfolio Construction



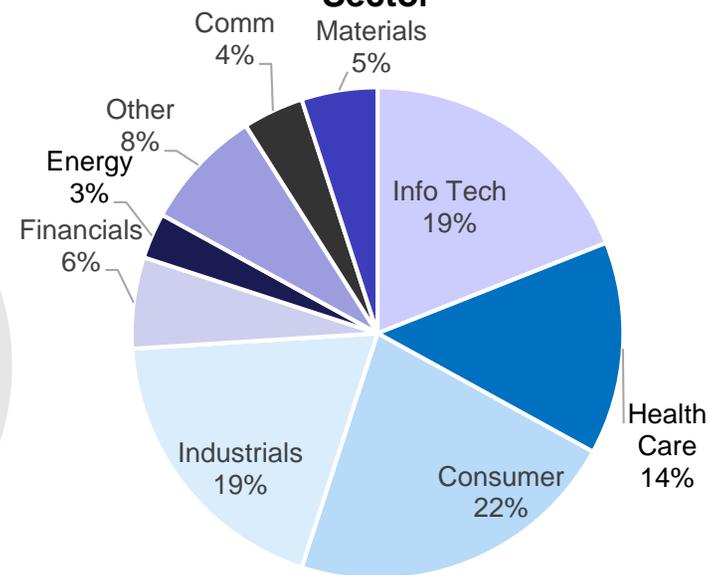
Strategy



Geography



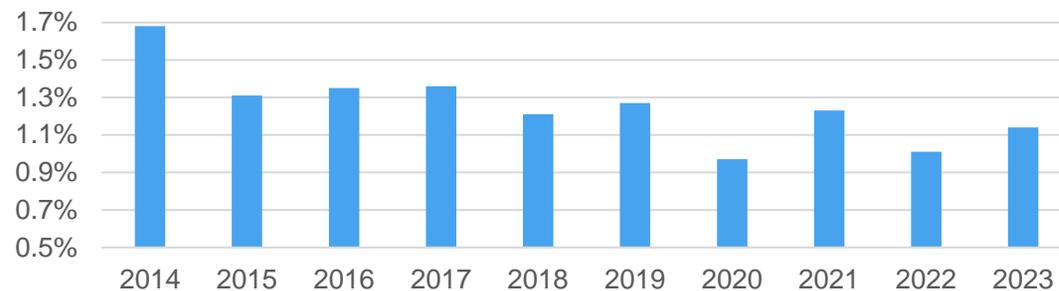
Sector



Focus on Fees

- Fees should be reasonable given fund's strategy and size
- Pursue fee-saving opportunities when appropriate:
 - Discount for early investors
 - Co-Investment
 - Large investor discount
- Management Fees continue to trend downward.

Average Management Fees Paid





Fiscal Year 2023 New Commitments:

\$223 Million Committed to New Investments

- Broadly Diversified
- Four Funds
- One New Manager
- Three Co-Investment Vehicles

Maintain Consistent Investment Discipline

- Focus on portfolio fit, performance, people, process, and product when evaluating new investments
- SERS did not “re-up” with several managers who no longer meet the above criteria

Understand Macro Environment

- Slowing economic growth
- High acquisition prices
- Rising interest rates

New Fund Commitments:

The logo for Cinven, consisting of the word 'Cinven' in white text on a teal square background.

Cinven

The Eighth Cinven Fund - €50 million

- Cinven VIII will invest in sector driven European buyouts of high caliber companies. Typically, these companies are market leaders with defensible positions displaying quality growth potential, stable cash flows, and attractive market dynamics located throughout Europe.
- SERS has been investing with Cinven since 2006.

The logo for Bridgepoint, consisting of the word 'Bridgepoint' in white text on a red square background.

Bridgepoint

Bridgepoint Growth II - £25million

- Bridgepoint Growth II will invest in growing lower middle market companies located throughout Europe with a primary focus on England and the Nordic region. The fund targets high growth market segments while also seeking to identify opportunities where value can be created through operational improvement.
- SERS has been investing with Bridgepoint since 2008.

The logo for Kohlberg & Company, featuring the words 'KOHLBERG & COMPANY' in a serif font on a white background.

KOHLBERG
& COMPANY

Kohlberg X - \$50 million

- Kohlberg X will invest in established middle market companies within six industry verticals, including pharmaceutical/medical products & services, infrastructure services, financial and information services, business services, healthcare services, and food & consumer.
- SERS has been investing with Kohlberg since 2004.

The logo for KKR, consisting of the letters 'KKR' in white text on a dark purple square background.

KKR

KKR Ascendant I - \$50 million

- The Ascendant strategy is fully embedded within the KKR platform and will invest in fundamentally strong companies with defensible market positions. Target companies will operate in one of the firm's seven industry verticals of financial services, health care, consumer, industrials, media, software and tech-enabled services.
- This is SERS' first private equity investment with KKR.

New Co-Investments:



FS Equity Partners VIII Near U Co-Investment - \$10 million

- NearU is a multi-state provider of HVAC repair and replacement, electrical and plumbing services.
- SERS has been investing with FS Equity since 2005.



Bridgepoint Growth II Side-Car Co-Investment Vehicle - £6.5 million

- Bridgepoint Growth II Side Car Co-Investment will co-invest alongside select companies in the Bridgepoint Growth II portfolio.
- SERS has been investing with Bridgepoint since 2008.

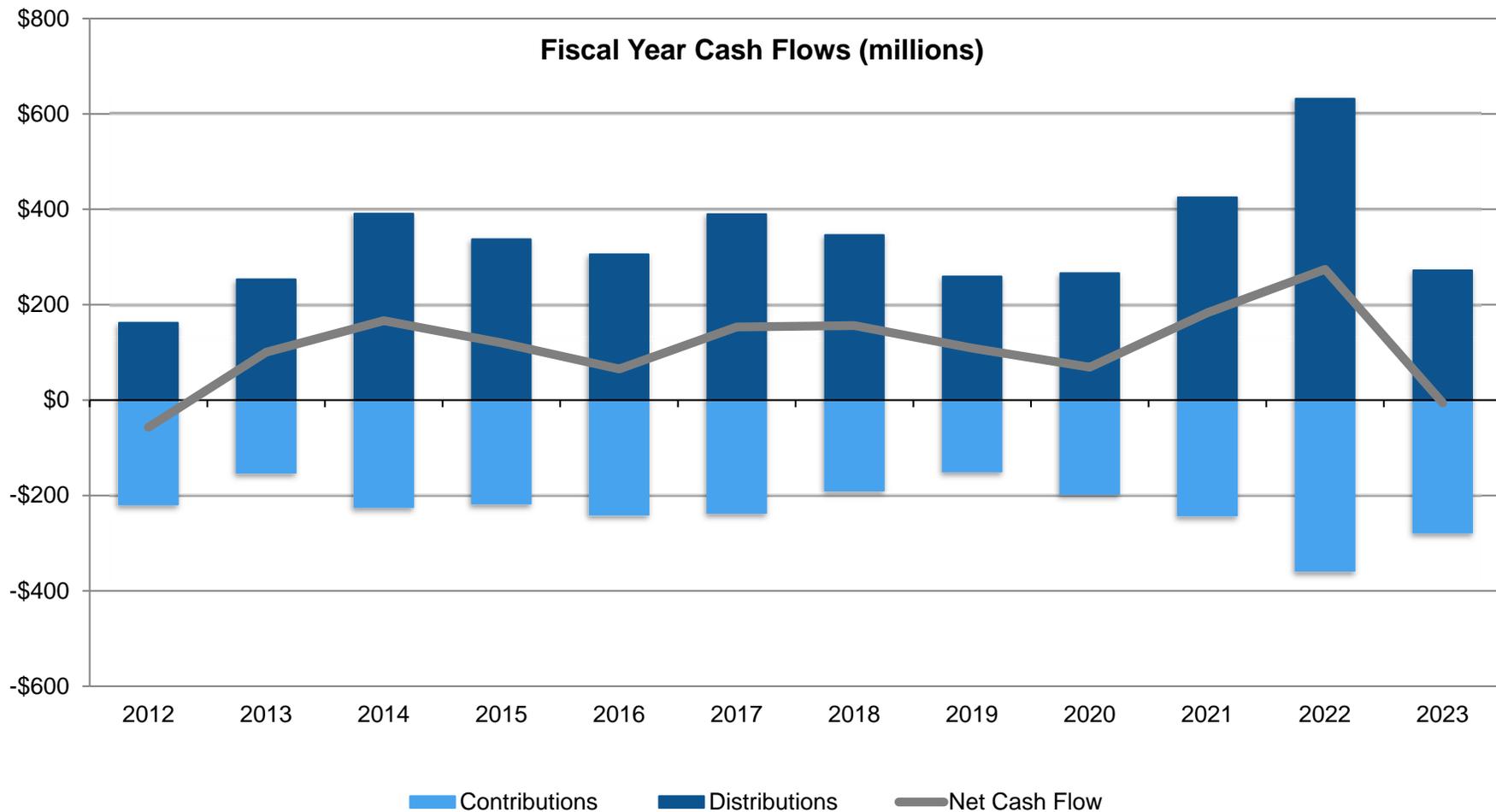


Kohlberg X Side-Car Co-Investment Vehicle - \$25 million

- Kohlberg X Side-Car Co-Investment will co-invest alongside select companies in the Kohlberg X portfolio.
- SERS has been investing with Bridgepoint since 2004.



10-year positive cash flow of \$1.3 billion





Net of Fees (as of 6/30/2023)	1 Year	3 Year	5 Year	10 Year
SERS Private Equity Portfolio (\$2,304,317,158)	2.54%	26.17%	18.86%	18.37%
<i>Buyouts</i> (\$1,833,177,411)	4.89%	26.88%	20.94%	20.68%
<i>Special Situations</i> (\$219,786,253)	5.99%	27.29%	10.11%	10.81%
<i>Fund of Funds</i> (\$63,219,897)	-28.58%	15.16%	15.41%	13.40%
<i>Co-Investments</i> (\$102,649,363)	-6.95%	25.57%	18.06%	NA
Private Equity Benchmark	-4.03%	21.74%	15.05%	14.32%
SERS Global Equity	15.60%	11.23%	8.14%	9.02%



Fiscal Year Returns





Fiscal Year 2024 Objectives

- Manage the Private Equity portfolio and fiscal year commitments to reflect the investment allocation of 14%, subject to identifying opportunities that meet SERS' investment criteria.
- Review the private equity portfolio strategy and structure and develop a plan to improve risk and return characteristics of the portfolio, achieve fee reductions and optimize manager count as appropriate.
- Actively seek co-investment opportunities where appropriate with current SERS' private equity general partners who meet co-investment criteria, as outlined in the private equity co-investment guidelines.
- Research and identify new and innovative investment opportunities with managers who offer compelling return expectations. These new opportunities may be used for a combination of purposes to replace current managers who no longer meet SERS' investment criteria or to target strategies that are not currently a directly invested component of the private equity portfolio.





Fundraising

- Global private capital raised in the first six months of 2023 fell to \$517 billion, a 35% decline from the same period a year ago.
- It's estimated that nearly 14,000 funds are seeking an aggregate of \$3.3 trillion in new capital, yet only \$1 trillion in LP allocations is estimated to be available. This mismatch is creating the largest supply/demand imbalance since the global financial crisis.
- \$3.7 trillion in dry powder is available for alternative asset managers, including \$1.1 trillion for buyout managers.

Private Equity Investment Deal Flow

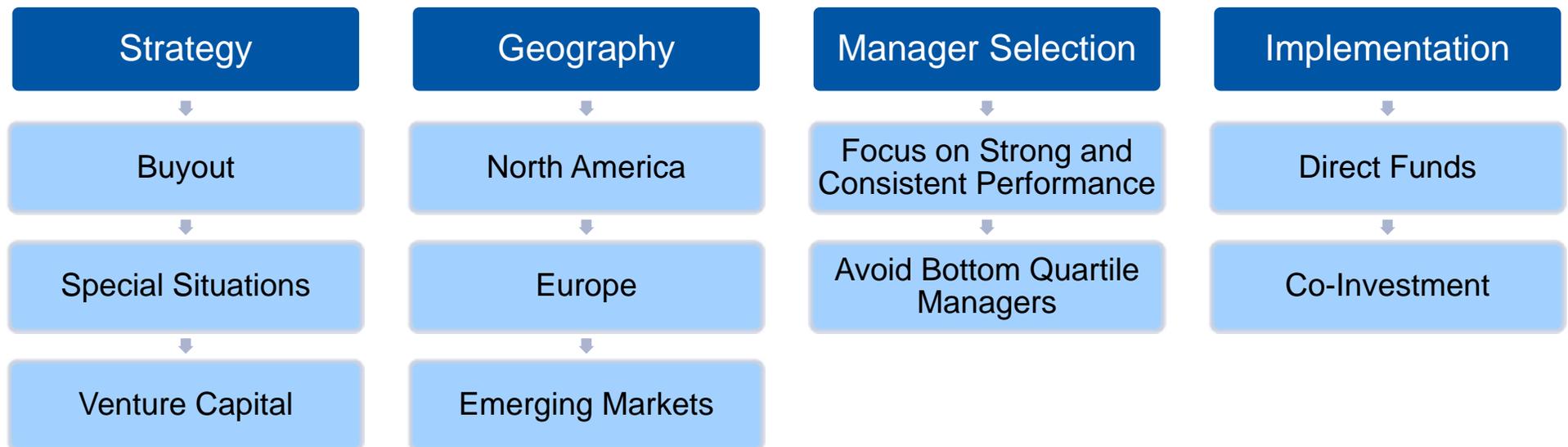
- Buyout funds invested \$202 billion in new deals during 1H 2023, a 58% decline from a year ago.
 - New deals have declined because of macro challenges including rising interest rates and economic uncertainty.
 - The price environment continues to be elevated with average purchase multiples of 12.4 times earnings before interest, taxes, debt, and amortization (EBITDA) for US Buyout transactions.

Private Equity Portfolio Company Exits

- Exit activity has decreased dramatically in the last 12 months.
 - Buyout backed exits fell to \$131 billion, a decline of 65% year over year.
 - Buyout funds have approximately 26,000 companies in their portfolios, representing \$2.8 trillion in unrealized value. The unrealized value in buyout portfolios is at an all-time record.



Value Add Through Four Key Areas:



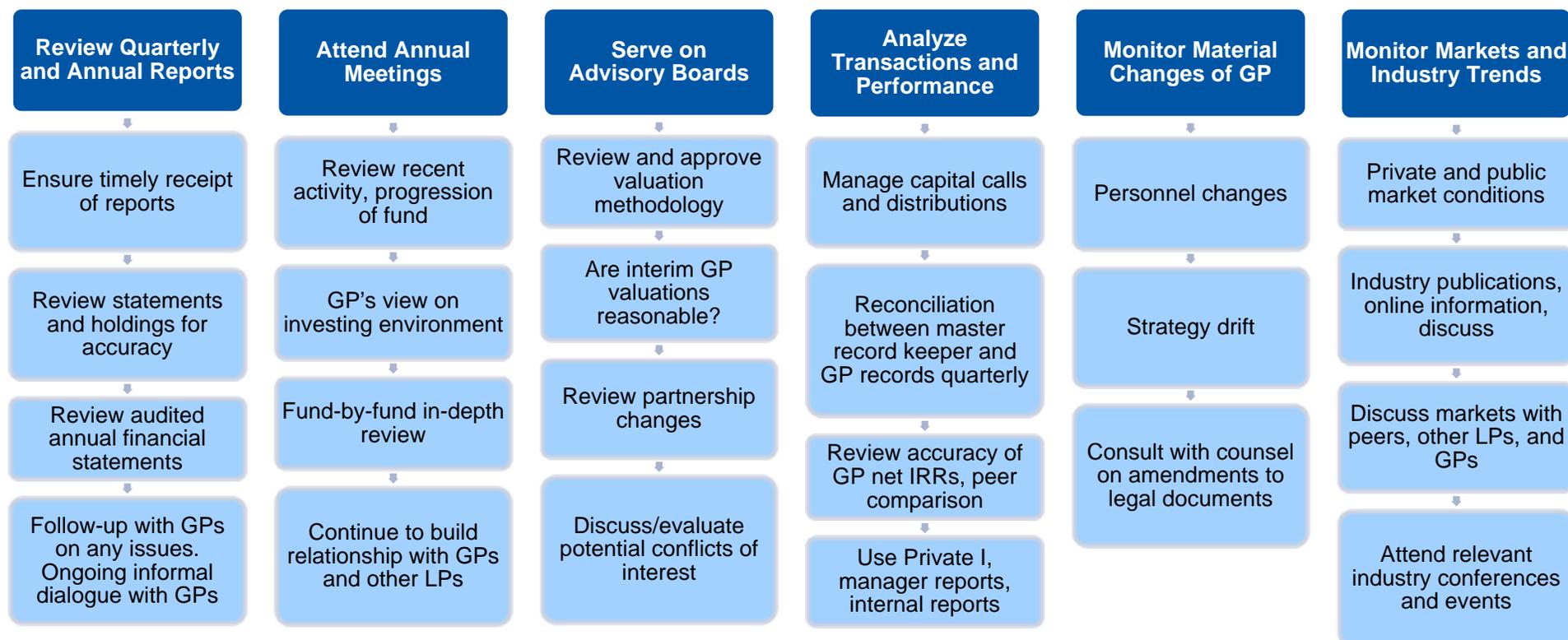


Methodical Manager Selection:





Continuous Due Diligence Through Extensive Monitoring





Ohio SERS Investment Report

Monthly Report to the Board

For the period ending: August 31, 2023

Prepared by Investment and IAD Staff

Farouki Majeed, Chief Investment Officer

Meeting Date: October 2023



Investment Agenda

- Annual Portfolio Review – Private Equity
- Monthly Investment Report (August 31, 2023)
- Asset Allocation Interim Targets – Global Equities & Private Equity (possible vote)



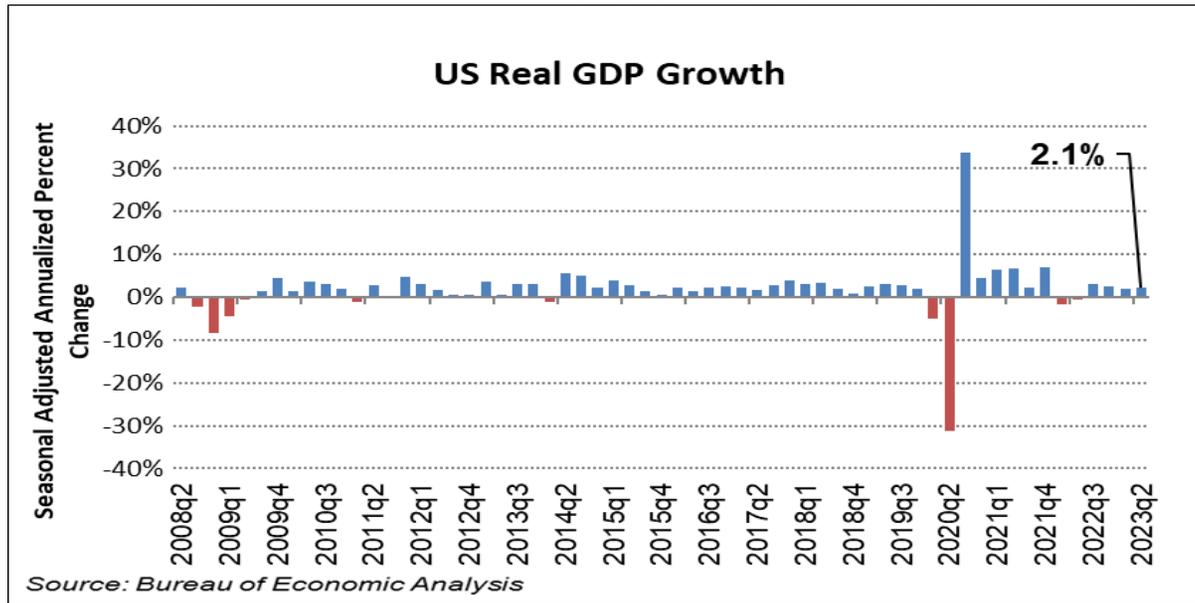
Economic and Financial Market Outlook

- US growth slowed but remained resilient. Q2 2023 growth rate was 2.1%. Main drivers of Q2 were increases in business investment, government spending, and personal consumption expenditures. Consensus expected economic growth to maintain positive momentum in Q3, 2023 (+2.9%), then slow down drastically in Q4, 2023 (+0.6%) and Q1, 2024 (+0.01%). (*Source: Bureau of Economic Analysis and September Blue Chip Economic Indicators*)
- US labor market remained resilient, adding 187,000 jobs in August. Unemployment rate rose slightly to 3.8% as the labor force participation rate rose to 62.8%. However, it remained below the pre-pandemic level of 63.3%. (*Sources: Bureau of Labor Statistics and Department of Labor*)
- US headline inflation was 3.7% in August, increased by 0.49% from July, and by 0.70% from June, mostly due to energy price increases. The core inflation was 4.3% in August. The energy price index increased 5.6% for the month of August and decreased 3.6% for the last 12 months. The food index was up 4.3% for the last 12 months. (*Source: Bureau of Labor Statistics*).
- The 10-year Treasury nominal yield was 4.59% as of September end. The current 10-year real yield, estimated by the gap between the 10-year Treasury nominal yield and current headline inflation, was 0.39% in August. This indicator turned positive in June after being consistently negative for almost 4 years. The Fed decided to hold the Fed Funds rate in the range 5.25-5.50%, signaling possible further increases depending on the inflation level.
- The S&P Case-Shiller 20-City home price index generated its fifth consecutive positive month with a 0.6% gain in July; the annual return turned marginally positive to 0.1% from negative 1.2% the previous month.
- Consumer Sentiment Index released by Thomson Reuters and University of Michigan was 68.1 in September, which improved significantly from June 2022, but remained below the historical average. The US Economic Surprise index trended upward since January 2023 and stayed positive at 45.1 in September. The August Leading Economic Index (LEI) issued by the Conference Board was 105.4, down 0.4% from the previous month. The index has been trending down for the last 17 consecutive months, indicating a high level of economic uncertainty.
- In September, both US and Global Manufacturing PMI readings remained below 50, indicating manufacturing activity contraction, while both US and Global Services PMI were above 50, indicating expansion in service sectors. High interest rates and high inflation continue to be the largest challenges to US and global economies. (*Source: Institute for Supply Management*).
- Equity markets were down in September, finishing Q3, 2023 in negative territory. The US market (Russell 3000) was down 4.76% for the month and 3.25% for the quarter. The Non-US Developed markets (MSCI World ex-USA) and Emerging markets were down 4.76% and 3.37% for the month, respectively; they were down 4.10% and 2.93% for the quarter, respectively.
- The US fixed income market, Bloomberg Barclay's US Aggregate Bond Index, was down 2.54% for September, and down 3.23% for Q3,2023.



ECONOMY

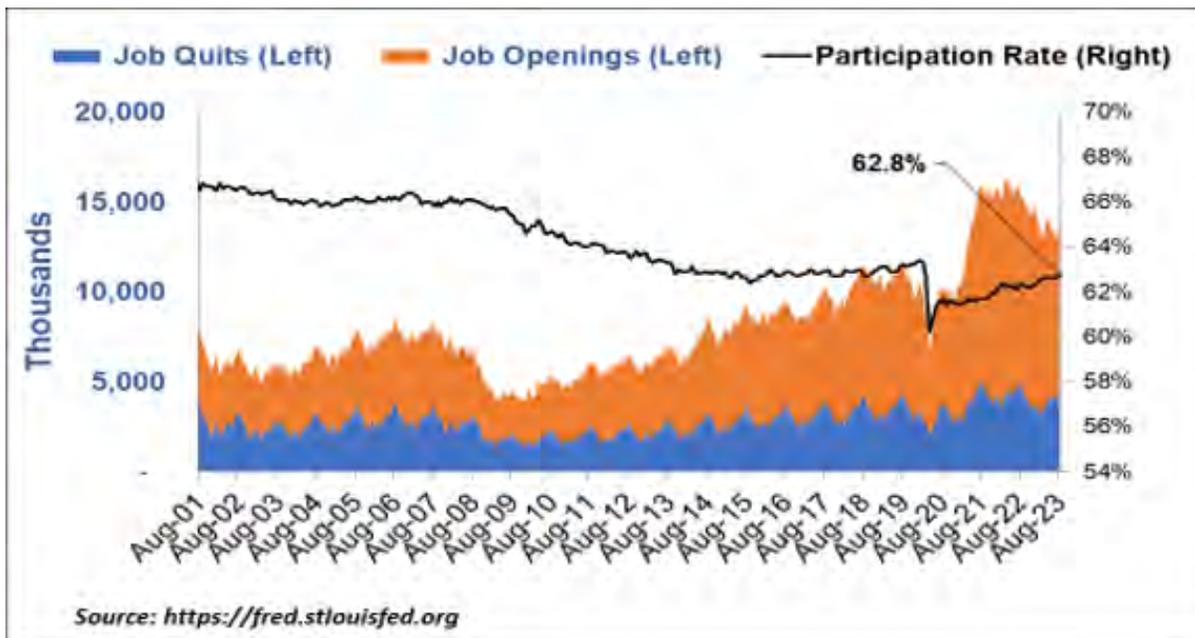
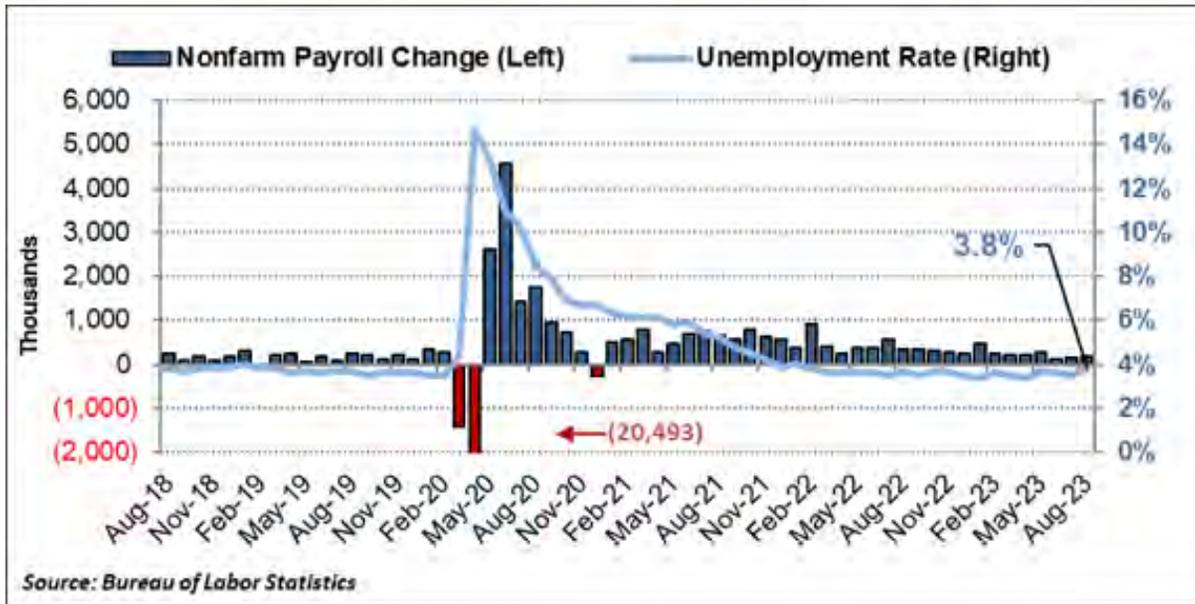
US Real Gross Domestic Product





ECONOMY

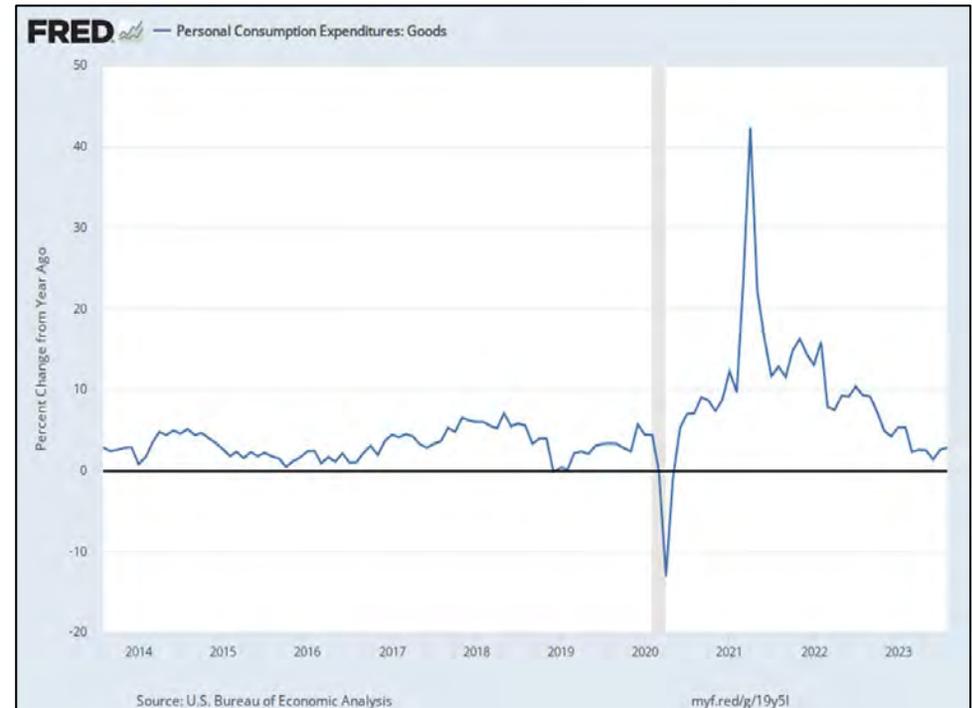
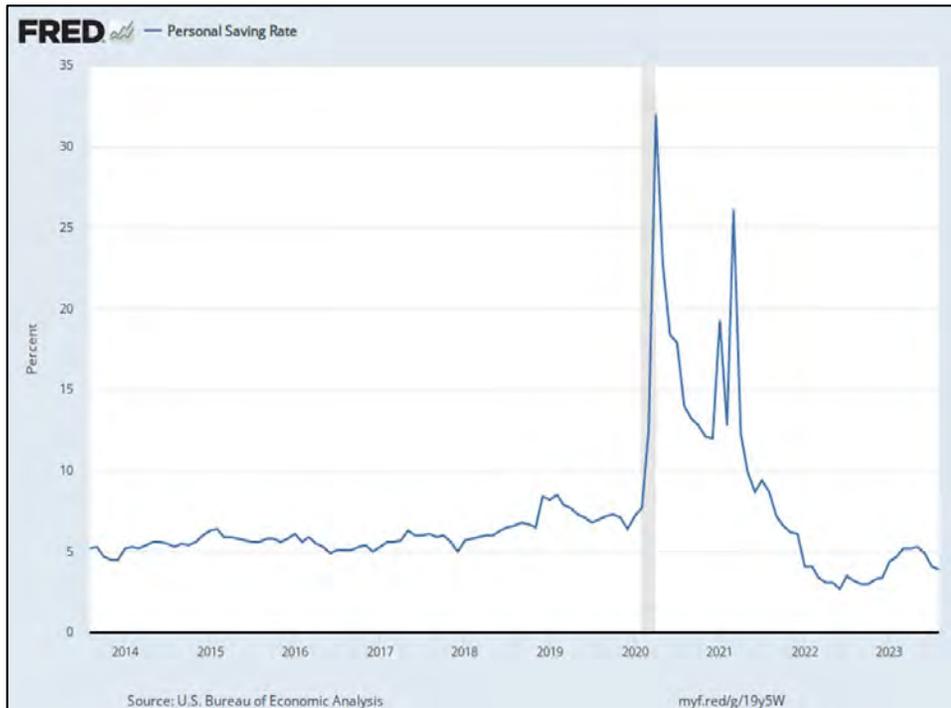
US Labor Market





ECONOMY

Personal Savings Rate & Personal Expenditures: Goods



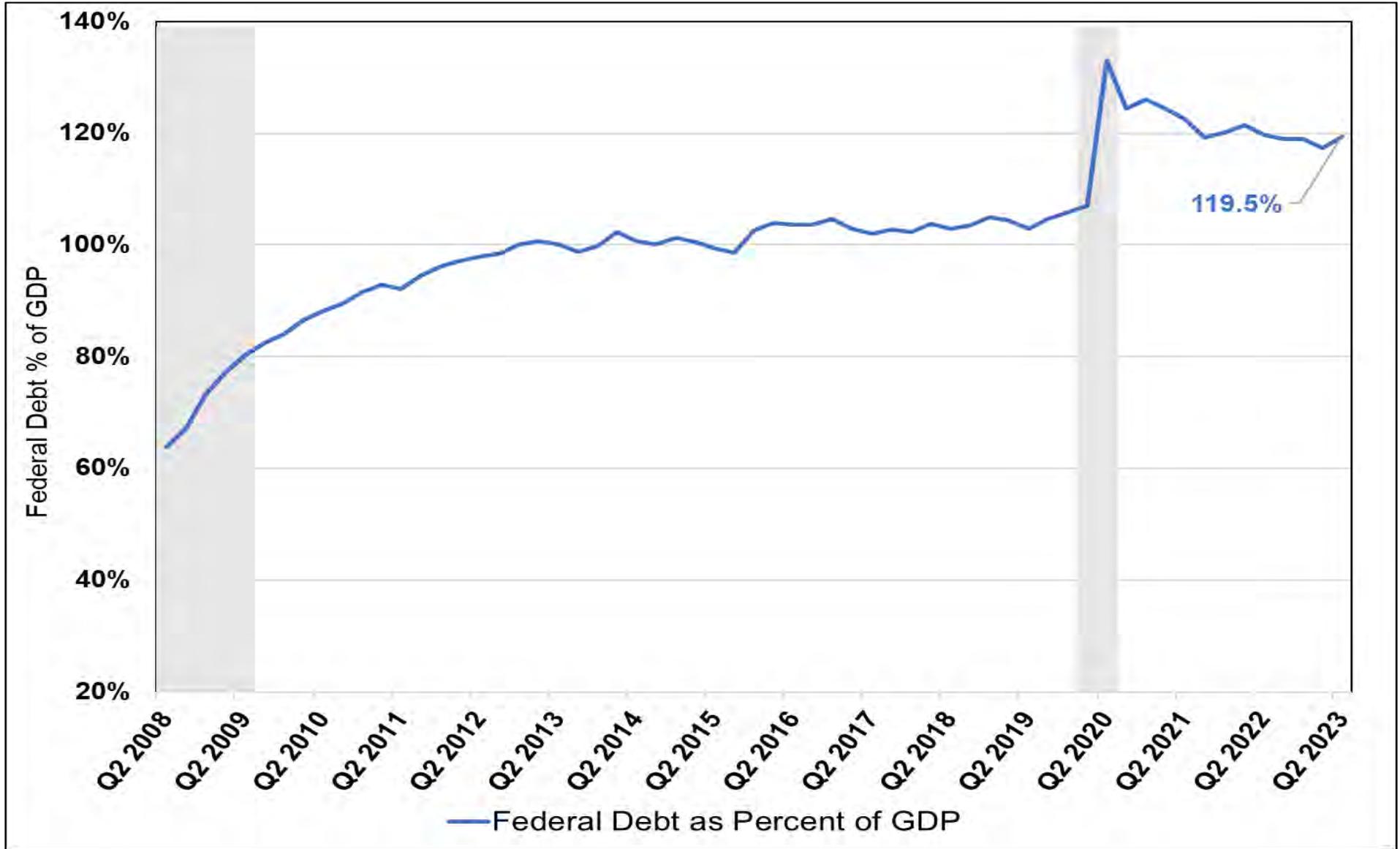
Date	Annual Personal Savings Rate
Jun-20	18.4%
Jun-21	8.7%
Jun-22	2.7%
Jun-23	4.9%
Aug-23	3.9%

Date	Personal Consumption Expenditures: Goods Change from Prior Year
Jun-20	5.3%
Jun-21	16.3%
Jun-22	9.1%
Jun-23	1.4%
Aug-23	2.9%



ECONOMY

Federal Debt as Percent of GDP

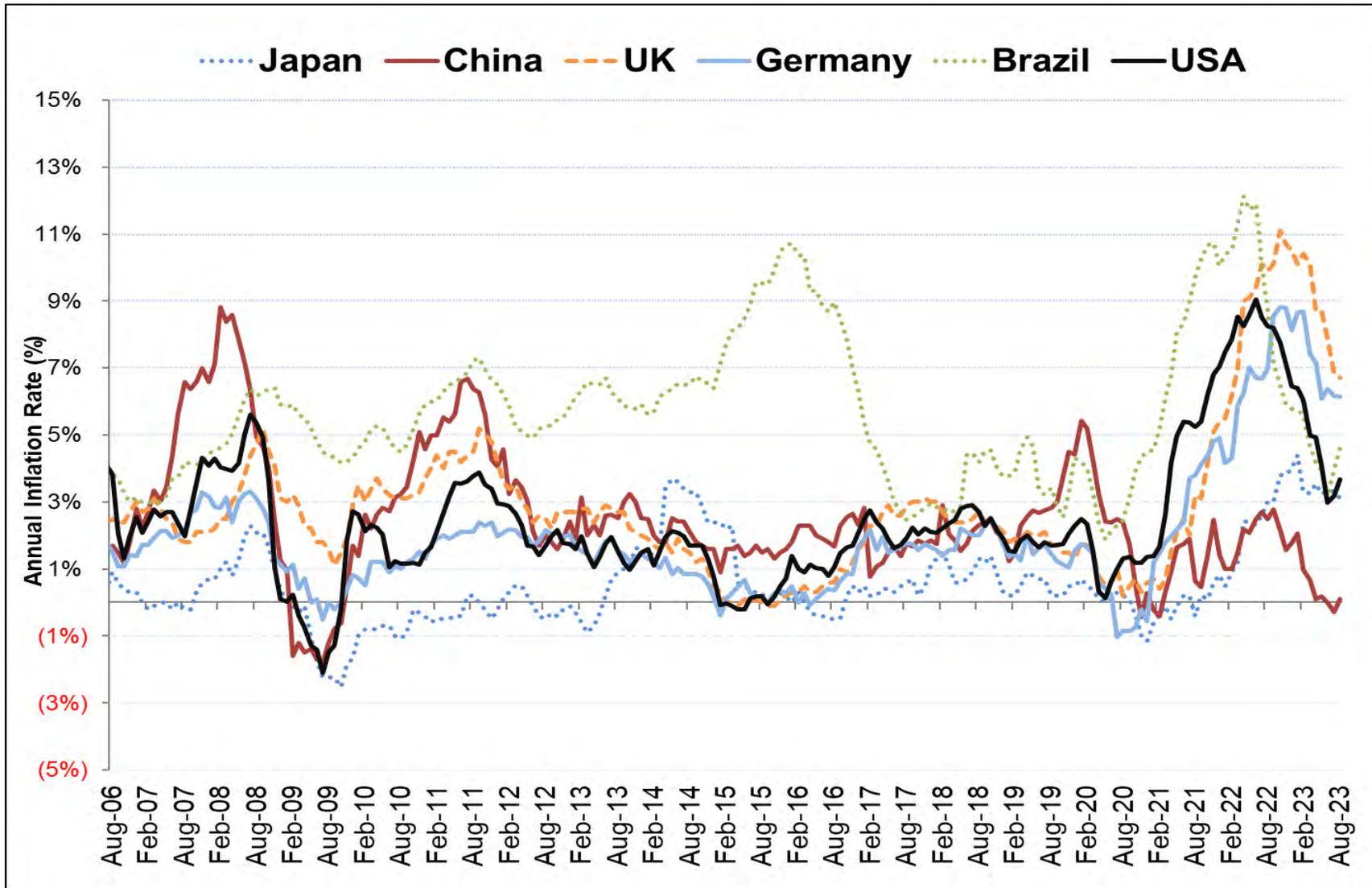


Source: FRED, U.S. Office of Management and Budget;



ECONOMY

Headline Inflation



	Japan	China	UK	Germany	Brazil	USA
Aug-23	3.1	0.1	6.7	6.1	4.6	3.7



ECONOMY

US & Global Manufacturing Activities

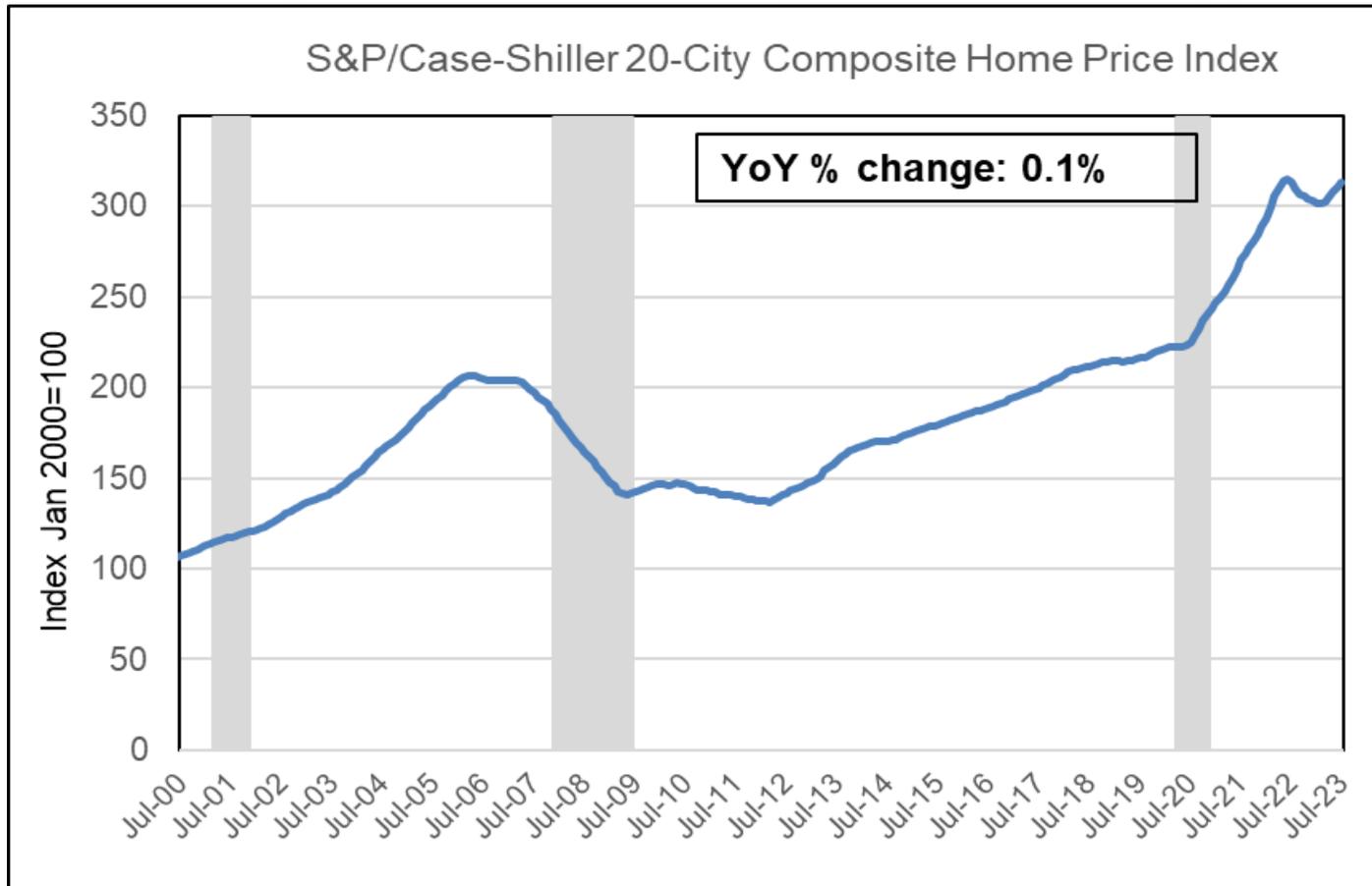


Source: Manufacturing ISM Report On Business & JPMorgan Global Manufacturing PMI™
Notes: Acronym – ISM – Institute of Supply Management; PMI – Purchasing Managers Index



ECONOMY

US Housing Market

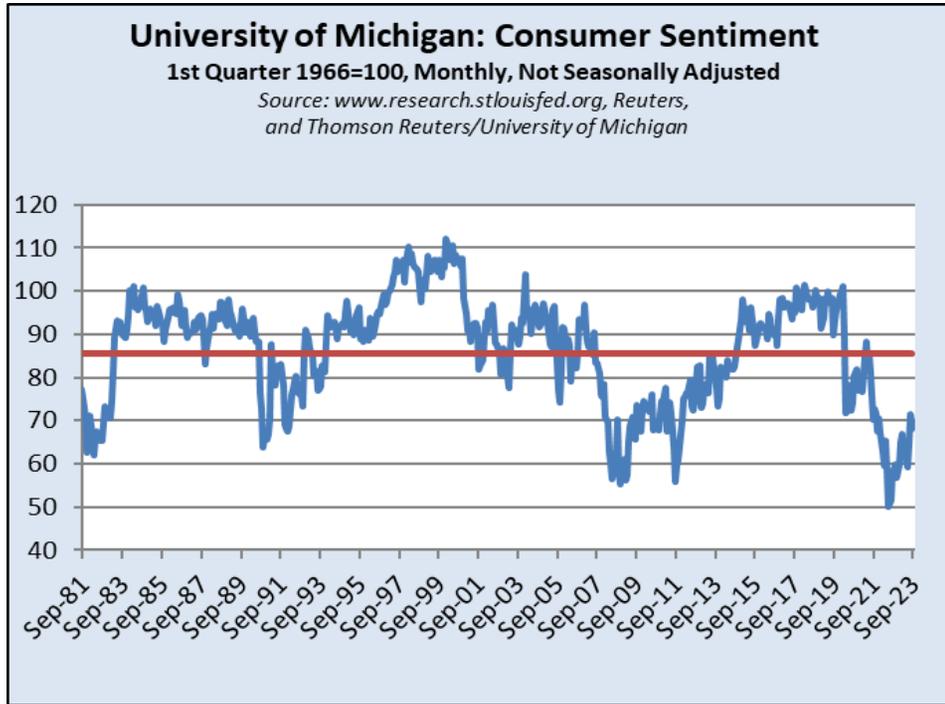


Date	S&P Case-Shiller 20-City Home Price Index January 2000 = 100, Seasonally Adjusted
Jul-19	216.09
Jul-20	225.12
Jul-21	270.09
Jul-22	313.32
Jul-23	313.66

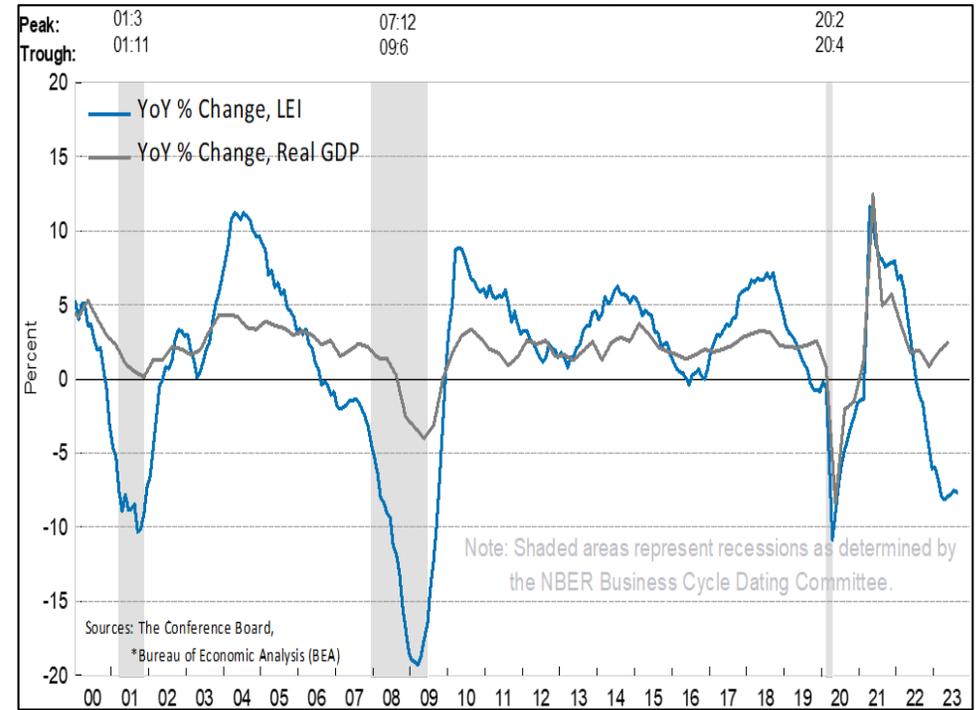


ECONOMY

Consumer Sentiment



The Leading Economic Index (LEI)



Shaded areas represent US recessions

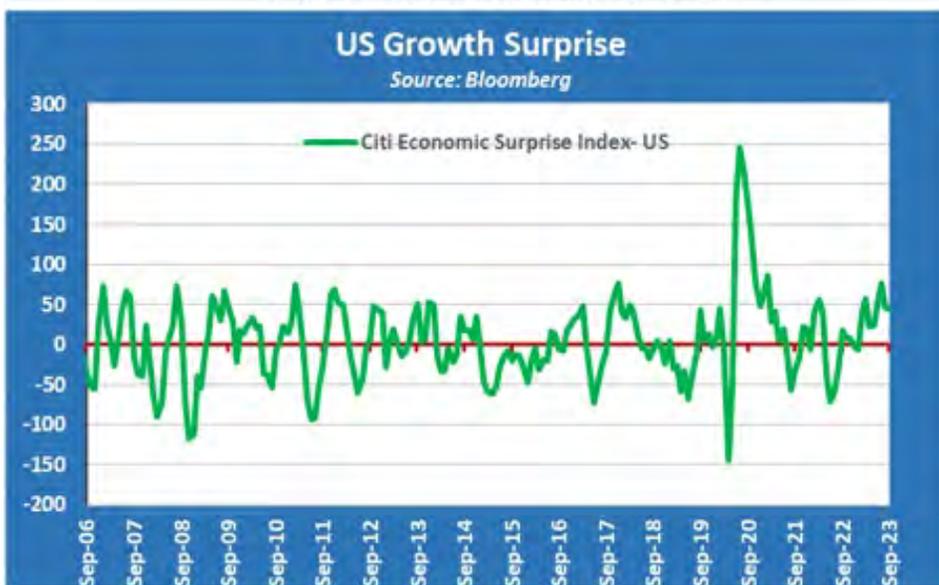
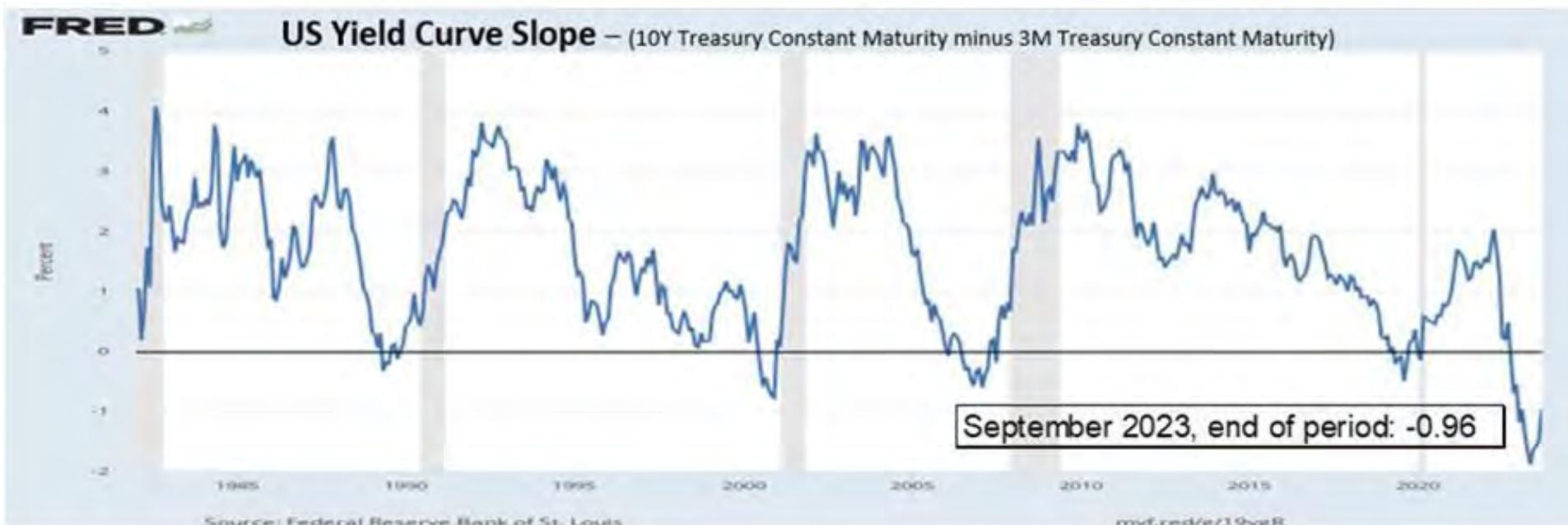
Index of Consumer Sentiment				
Aug-23	Sep-23	Sep-22	M-M Change	Y-Y Change
69.5	68.1	58.6	-2.0%	16.2%

Index	Jul-23	Aug-23	Month -Month Percent Change	6-Month Percent Change (Feb-Aug)
LEI	105.8 r	105.4 p	-0.4	-3.8

p Preliminary; r Revised; Indexes equal 100 in 2016



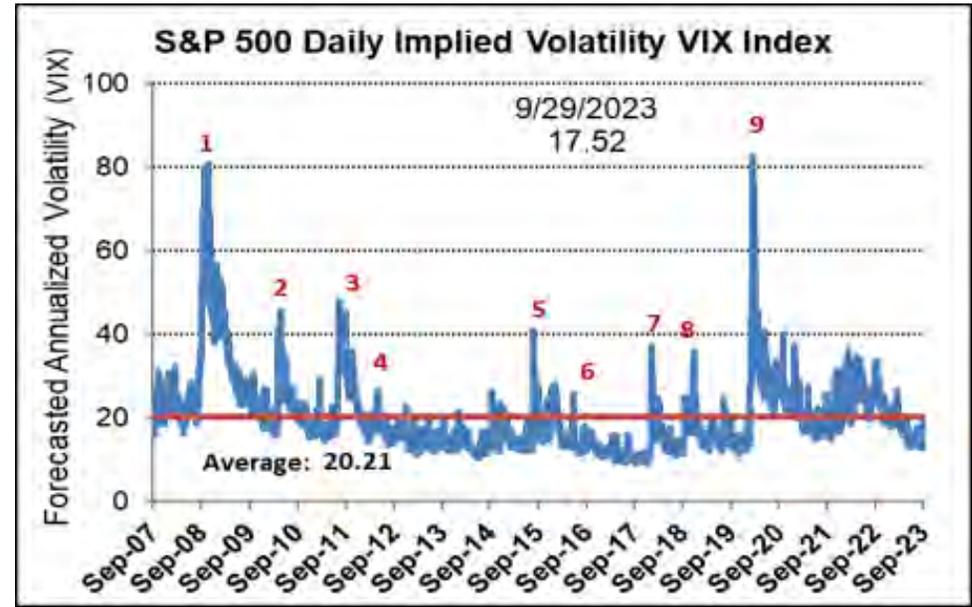
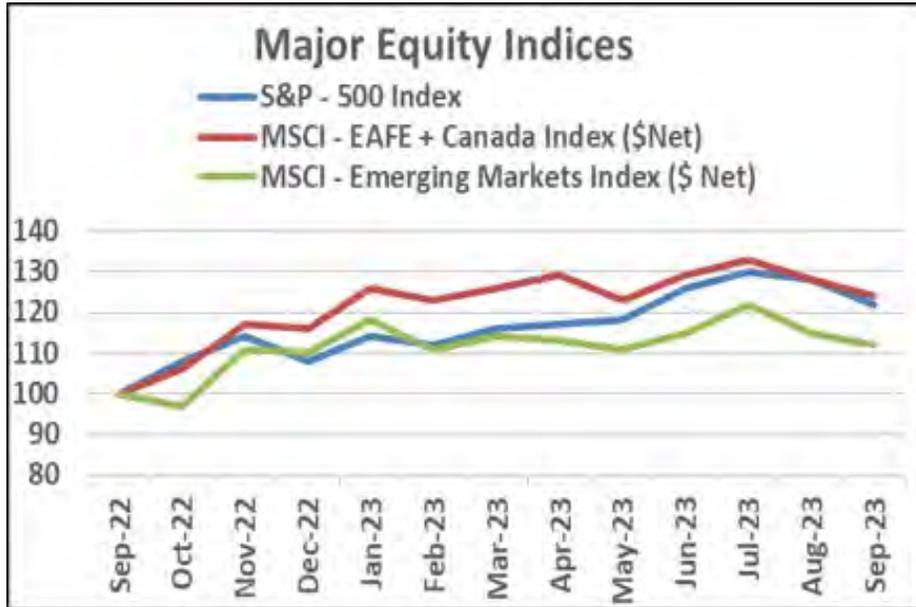
ECONOMY





MARKETS

Equity

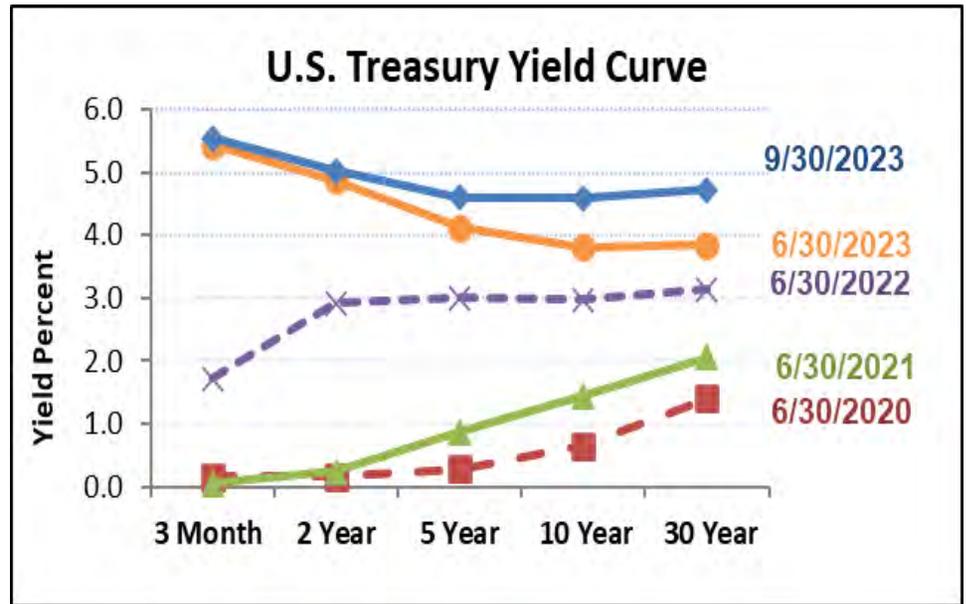
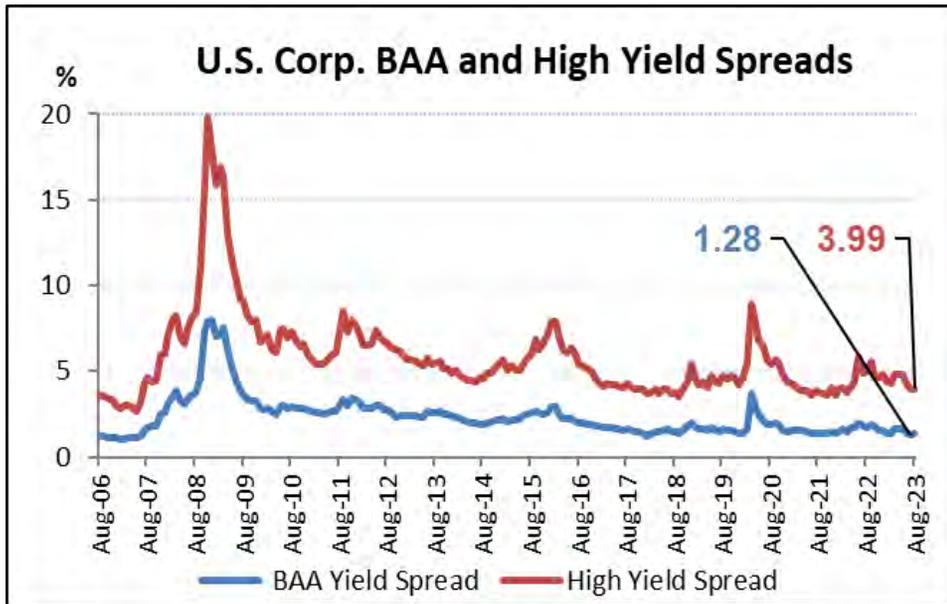


	Return as of 9/30/2023	
	1 Year	FY 2024
S&P 500	21.62	6.28
MSCI - EAFE + Canada Index (\$Net)	24.00	7.11
MSCI - Emerging Markets Index (\$Net)	11.70	(8.61)

- 1 2008 (Nov.) Financial Crisis S&P 500: - 48.8%
- 2 2010 (May) Flash crash; Europe/ Greece debt S&P 500: -16%
- 3 2011 (Aug.) US downgrade, Europe periphery S&P 500: -19.4%
- 4 2012 (June) Eurozone double dip S&P 500: -9.9%
- 5 2015 (Aug.) Global slowdown, China, Fed S&P 500: -12.4%
- 6 2016 (Feb.) Oil crash, US recession fear, China S&P 500: -10.5%
- 7 2018 (Feb.) Inflation, trade, tech S&P 500 : -10.2%
- 8 2018 (Dec.) Interest rate hike, trade tension, global slowdown S&P 500: -10.5%
- 9 2020 (Mar.) Coronavirus, S&P 500 : -23.7%



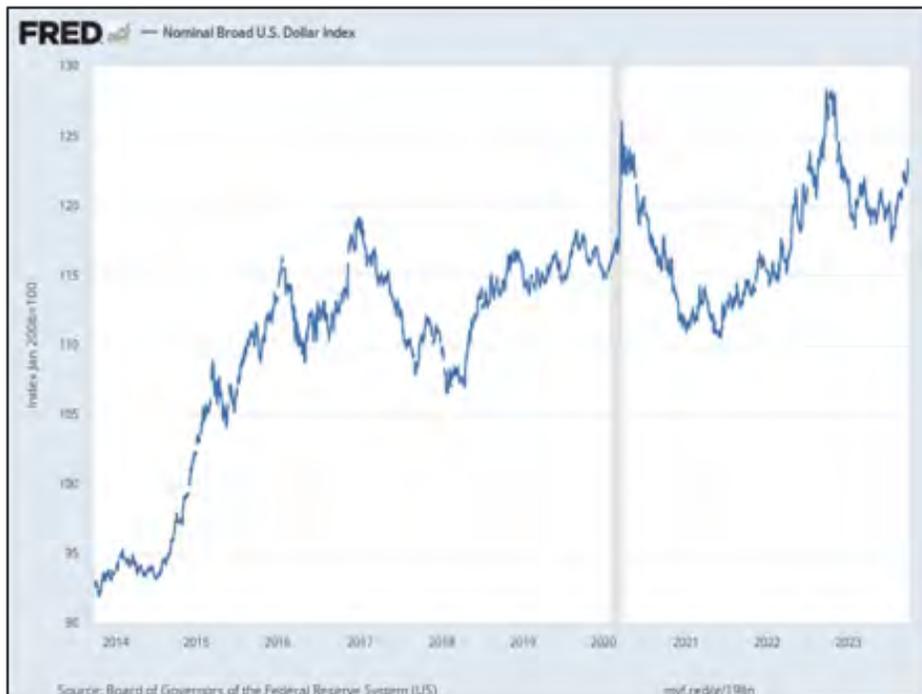
MARKETS Fixed Income



Sources: Wilshire Compass, ThomsonReuters, and Bloomberg



MARKETS Foreign Exchange



Date	Nominal Broad U.S. Dollar Index January 2006=100
June-20	120.86
June-21	112.85
June-22	121.05
June-23	119.89
September-23	122.77

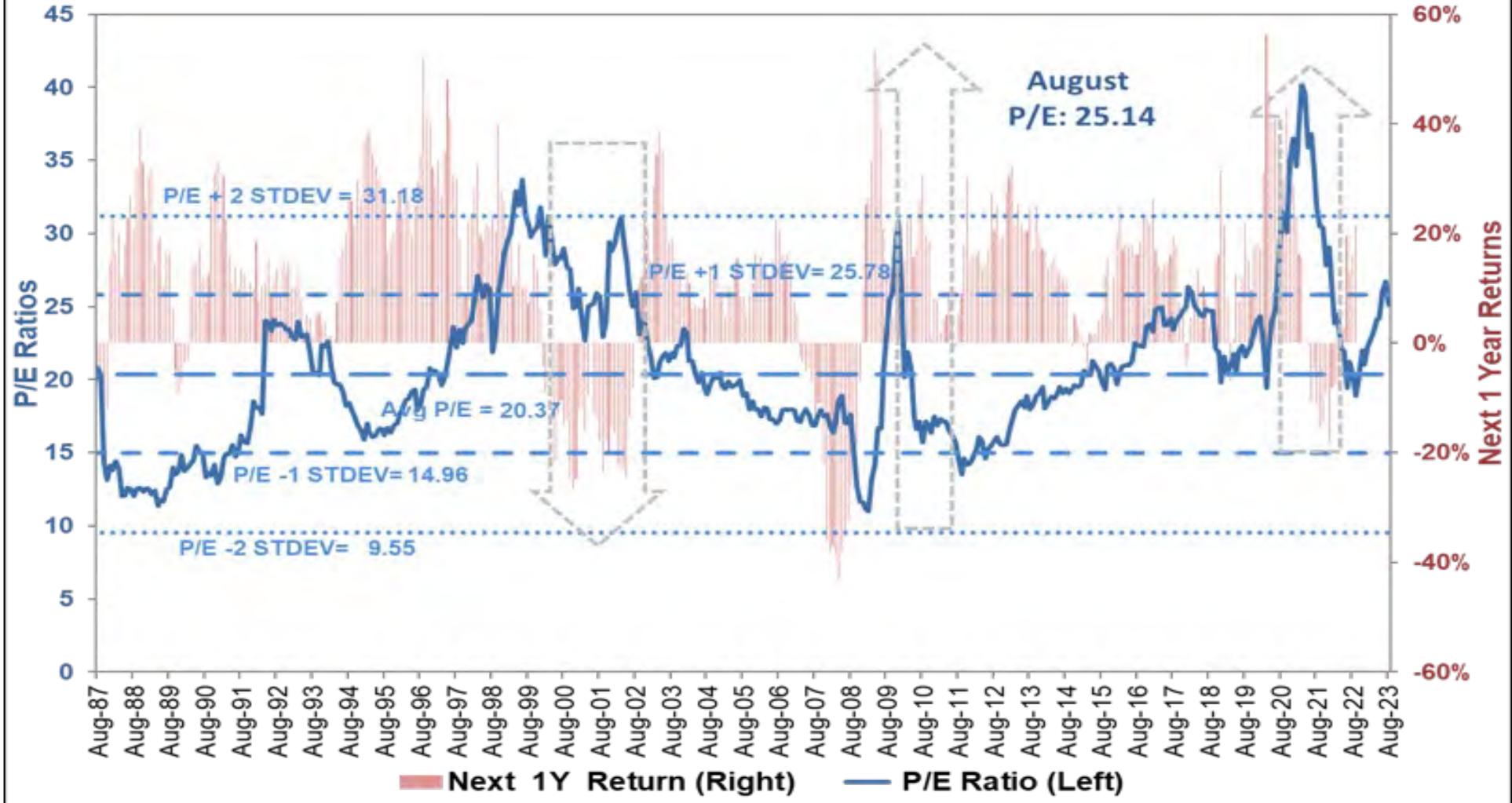
Date	U.S. / Euro Foreign Exchange Rate U.S. Dollars to One Euro
June-20	1.12
June-21	1.18
June-22	1.05
June-23	1.09
September-23	1.06



VALUATION

US Equity

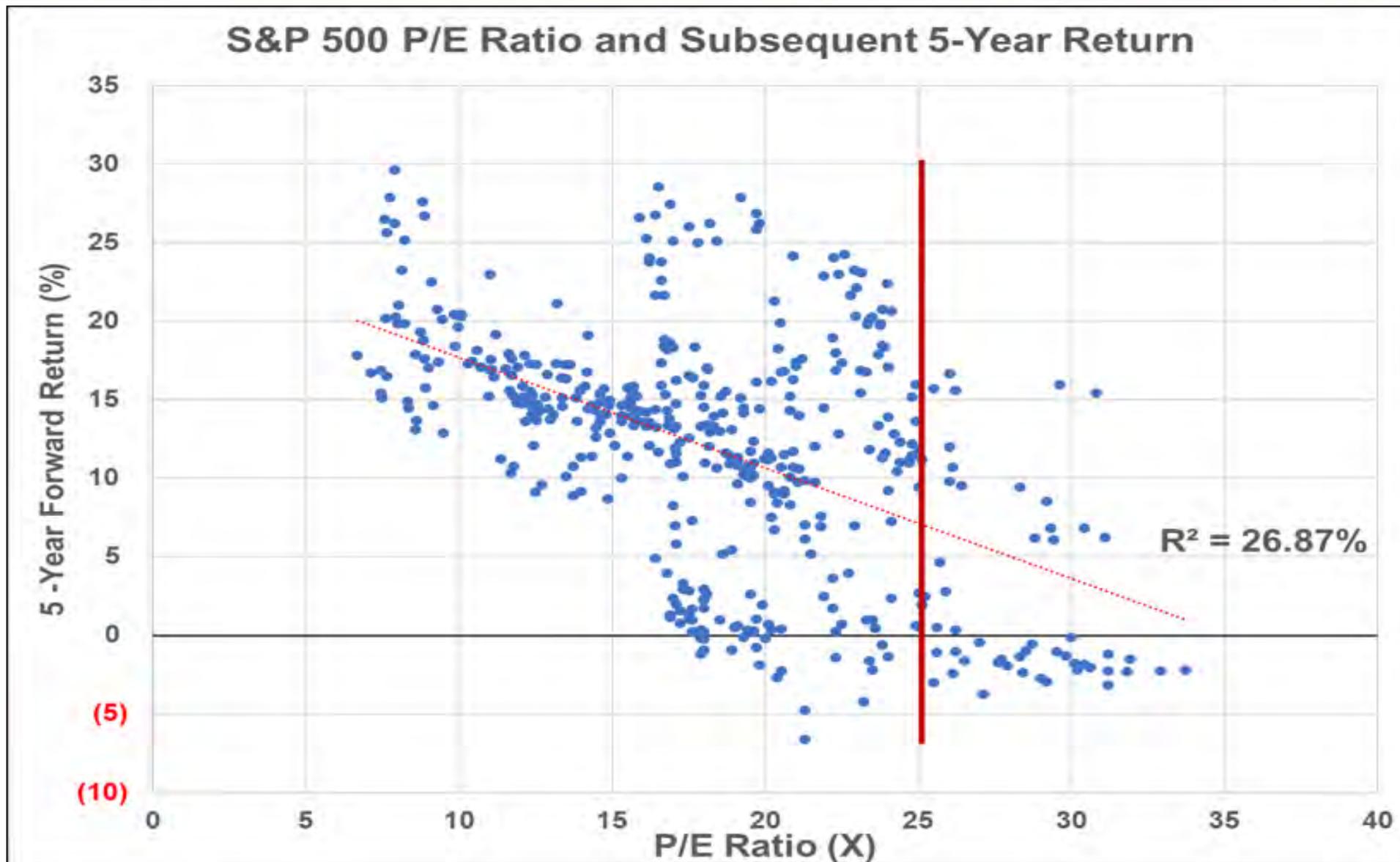
S&P 500 P/E Ratios and Next 1 Year Returns





VALUATION

US Equity

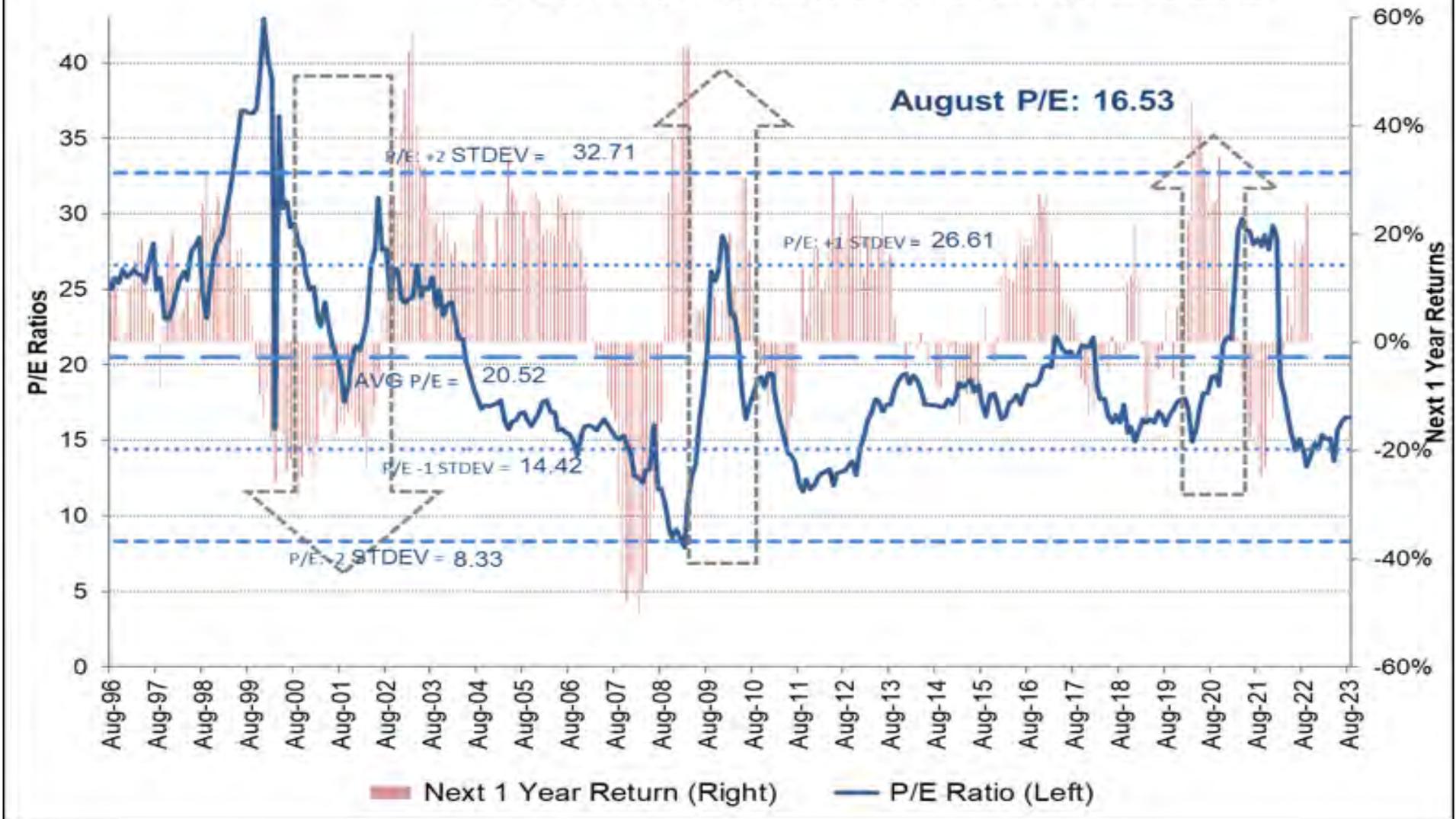




VALUATION

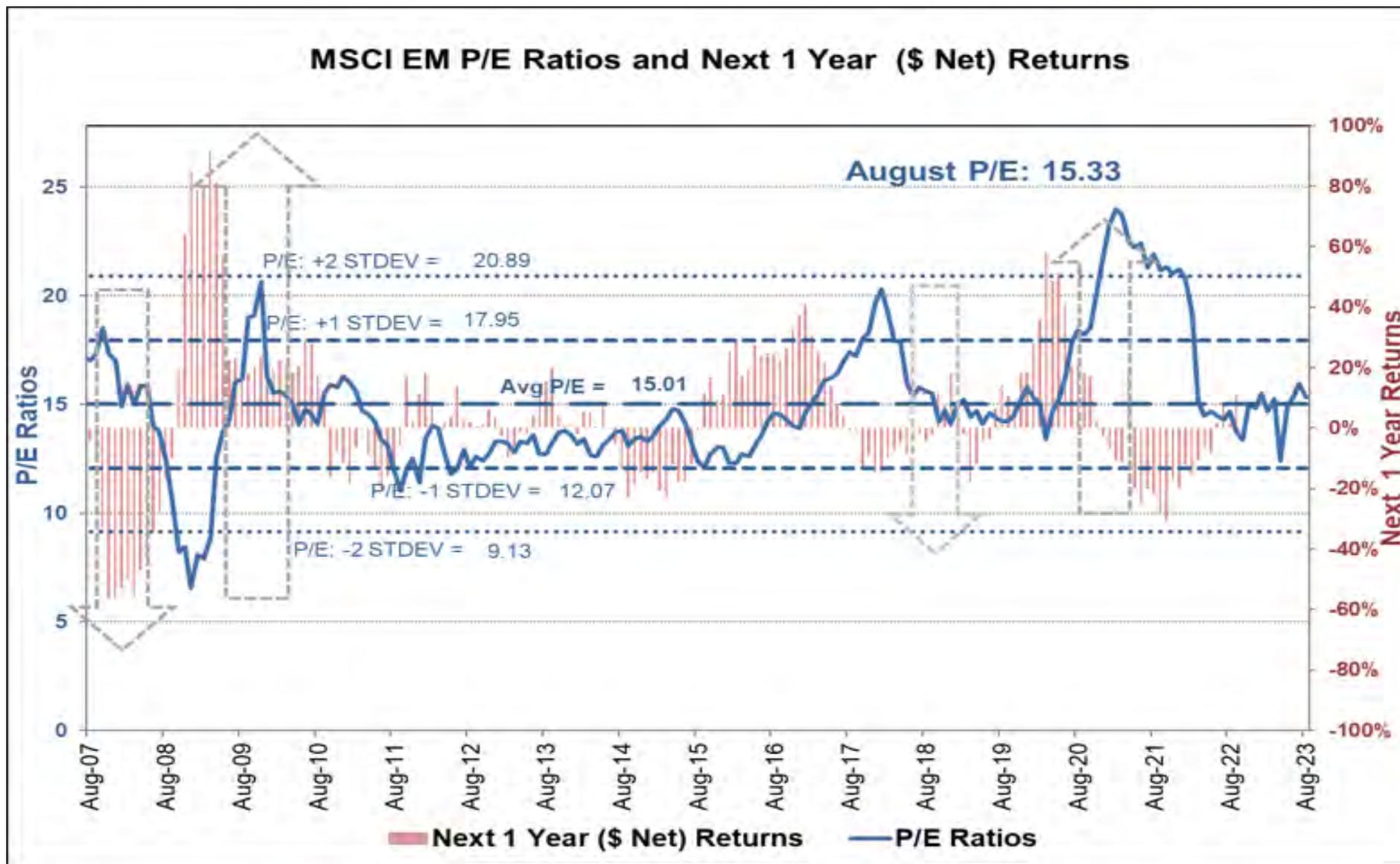
Non US Developed Market Equity

MSCI EAFE (\$ Net) P/E Ratios and Next 1 Year Returns





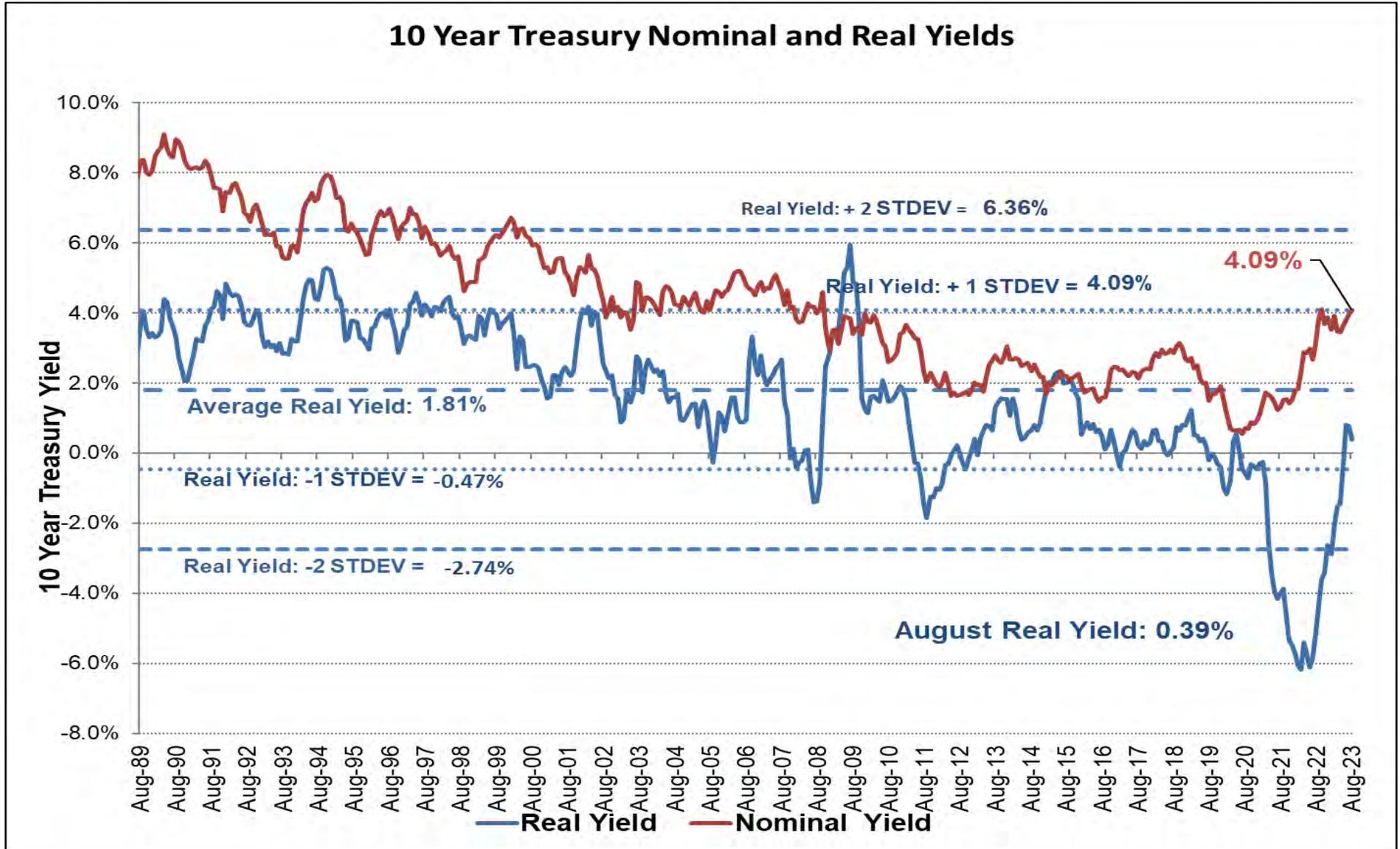
VALUATION Emerging Market Equity





VALUATION

US Treasury Bonds





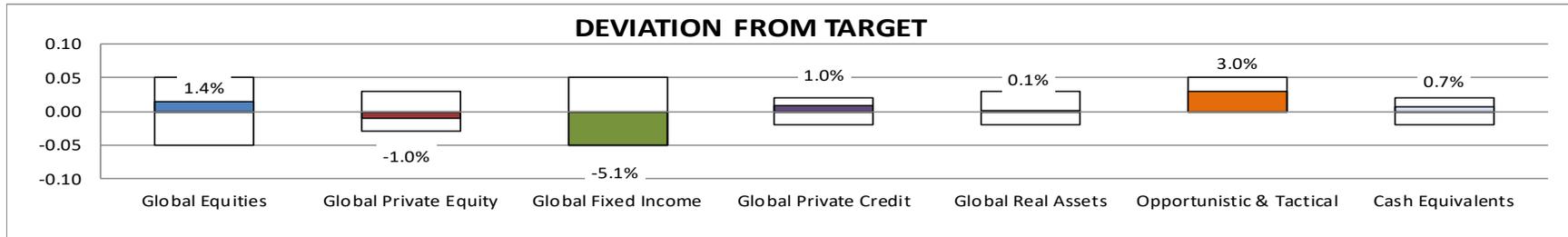
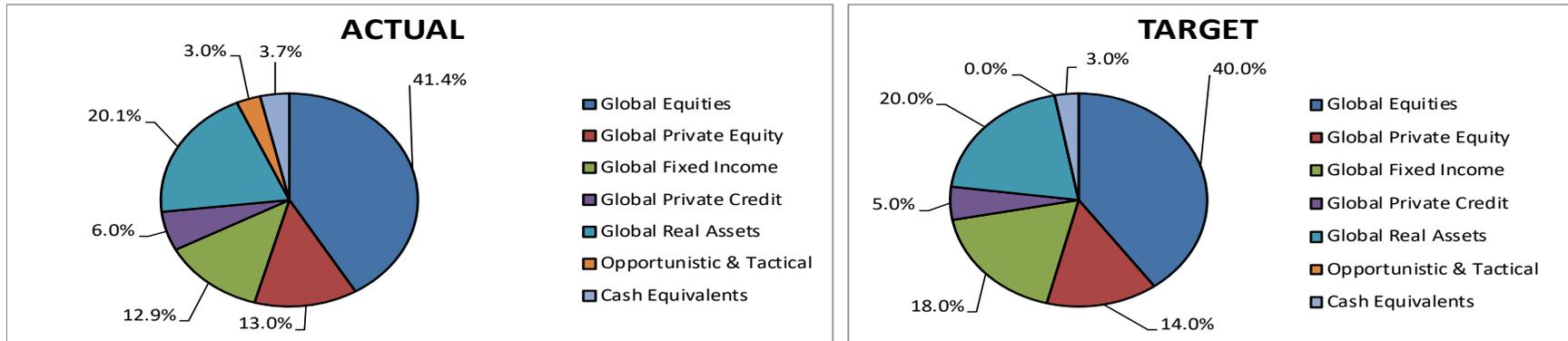
SERS' Investment Portfolios Review



Total Fund Asset Allocation

Asset Class	Market Value \$	Actual	Target	Range
Global Equities	7,373,787,924	41.4%	40.0%	35% - 45%
Global Private Equity	2,307,661,043	13.0%	14.0%	11% - 17%
Global Fixed Income	2,297,405,239	12.9%	18.0%	13% - 23%
Global Private Credit	1,059,670,978	6.0%	5.0%	3% - 7%
Global Real Assets	3,577,137,385	20.1%	20.0%	17% - 22%
Opportunistic & Tactical	539,725,615	3.0%	0.0%	0% - 5%
Cash Equivalents	650,548,577	3.7%	3.0%	1% - 5%
Short-Term	597,531,397	3.4%	2.0%	
Russell EA Overlay	19,499,012	0.1%	0.0%	
Aegis - Alpha Overlay	0	0.0%	0.0%	
Direct Rebalance Overlay	3,647,337	0.0%	0.0%	
Transition / Operational Account	1,692,527	0.0%	0.0%	
Currency Overlay	28,178,304	0.2%	0.0%	
Total Fund	17,805,936,761	100.0%	100.0%	

Source: BNY Mellon GRS

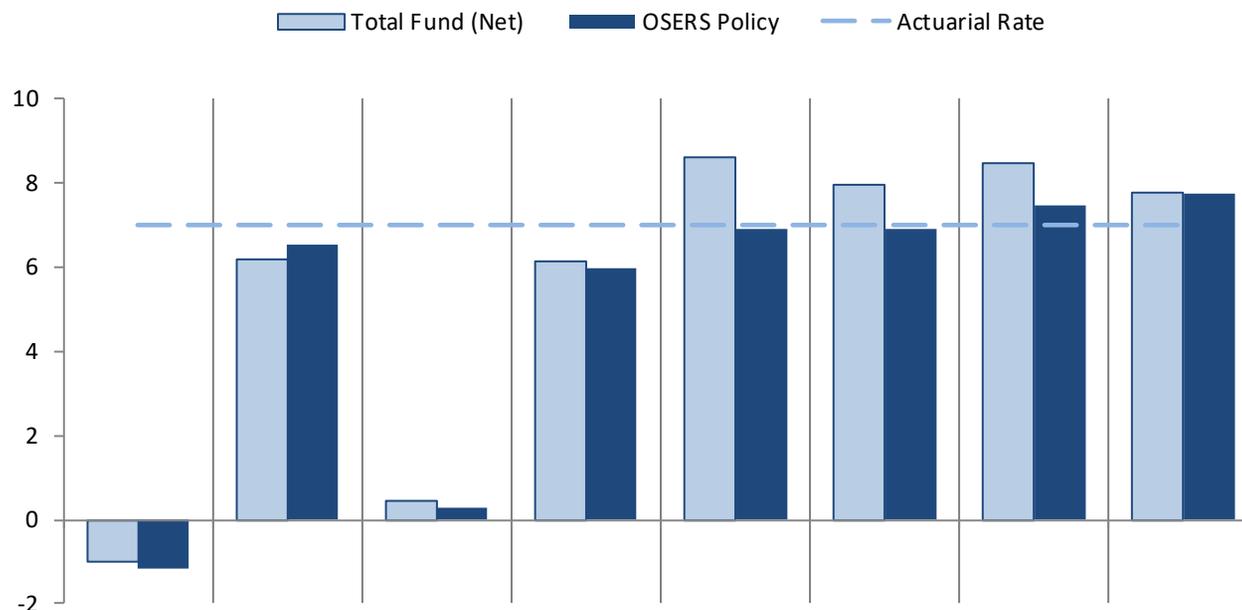




Total Fund Performance

Current Benchmark:

- 40% MSCI ACWI (Net Dividends)
- 14.00% Burgiss All Private Equity benchmark (1q lag) (BAPE)
- 18.00% Bloomberg Aggregate Bond
- 20.00% NCREIF Property (1q lag)
- 5.00% 90 Day T-Bill (1q lag) + 4.5%
- 3.00% FTSE 30 Day T-Bill



Actuarial Rate

(7.0% effective 7/1/21, adopted 4/15/21)

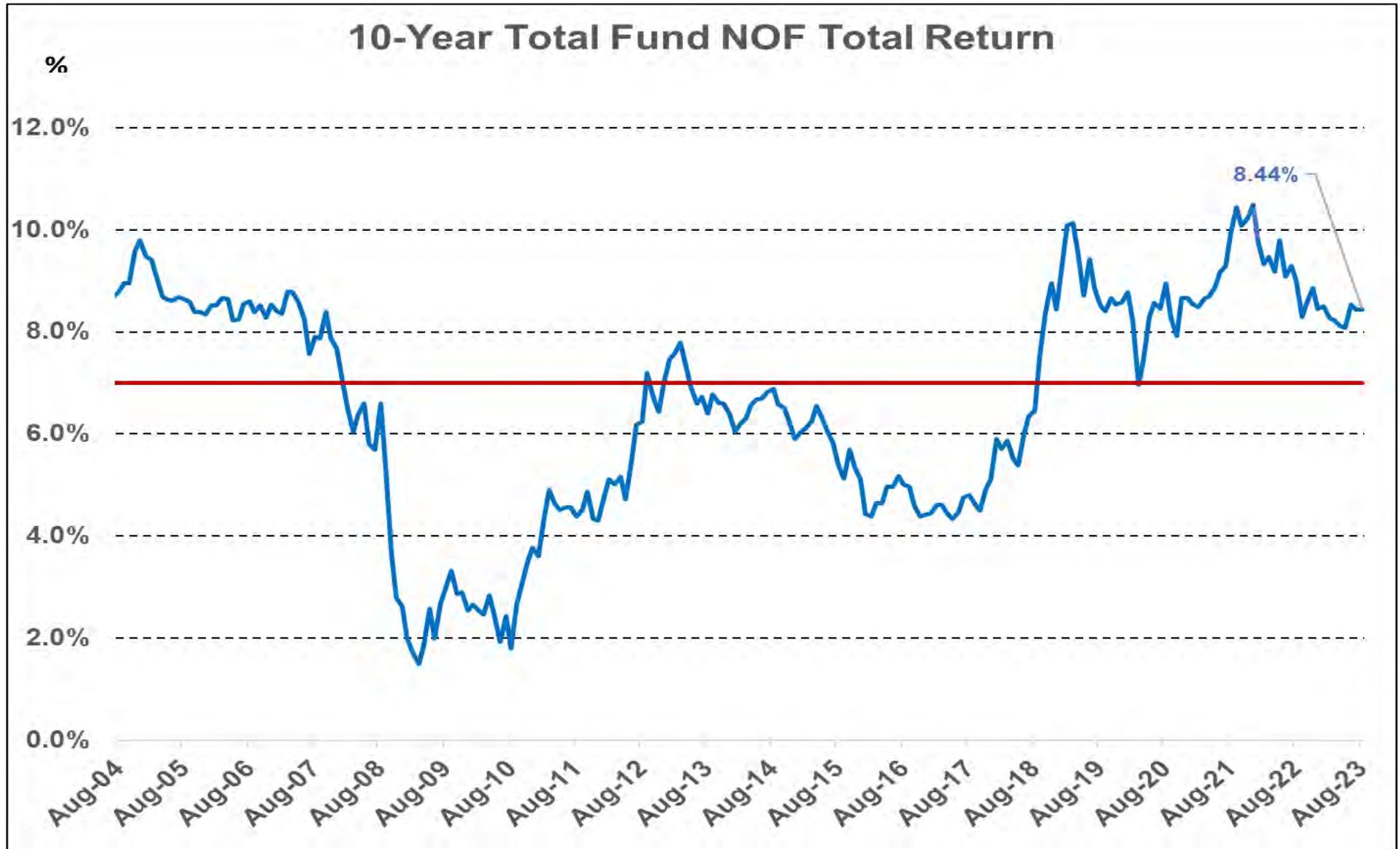
	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	ITD*
Total Fund (Gross)	(0.99)	6.55	0.47	6.84	9.29	8.64	9.13	8.32
Total Fund (Net)	(1.02)	6.18	0.43	6.11	8.60	7.96	8.44	7.79
OSERS Policy	(1.18)	6.52	0.30	5.94	6.91	6.89	7.47	7.74
Value Added (Net of Fee)	0.16	(0.34)	0.13	0.17	1.69	1.07	0.97	0.05

Source: BNY Mellon GRS

*ITD is Inception date 10/1/1994 (28 years and 11 months)

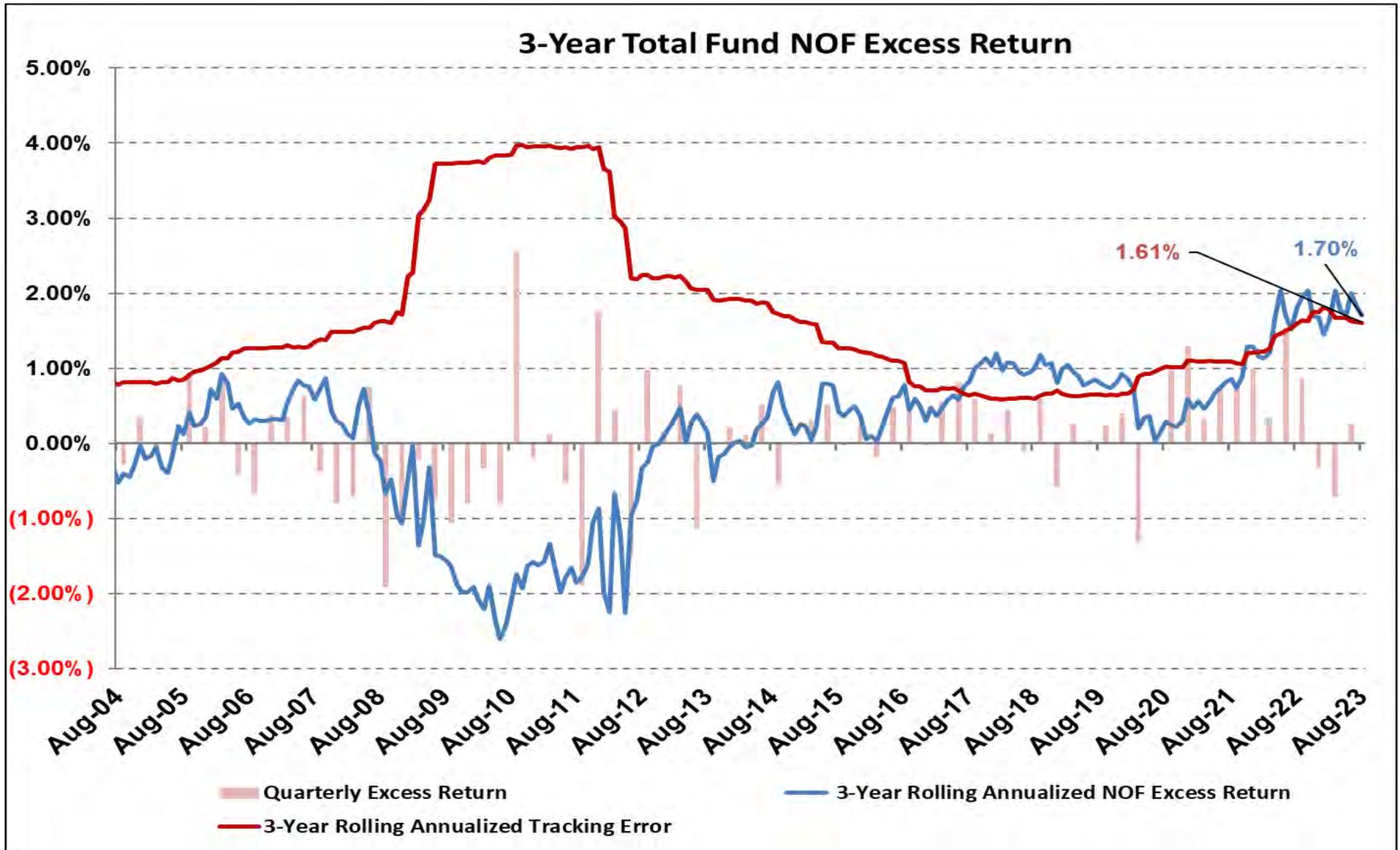


Total Fund Performance



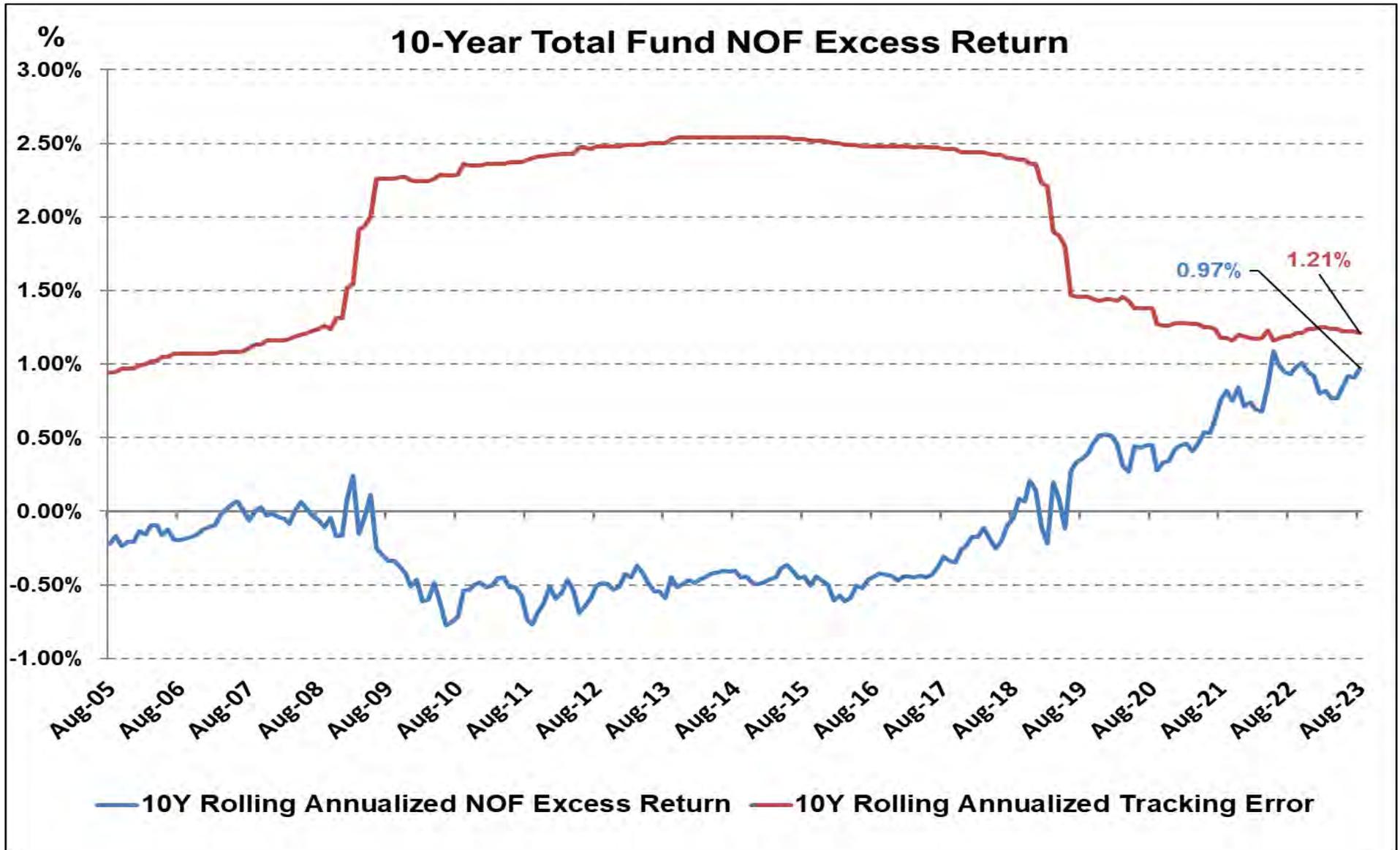


Total Fund Performance



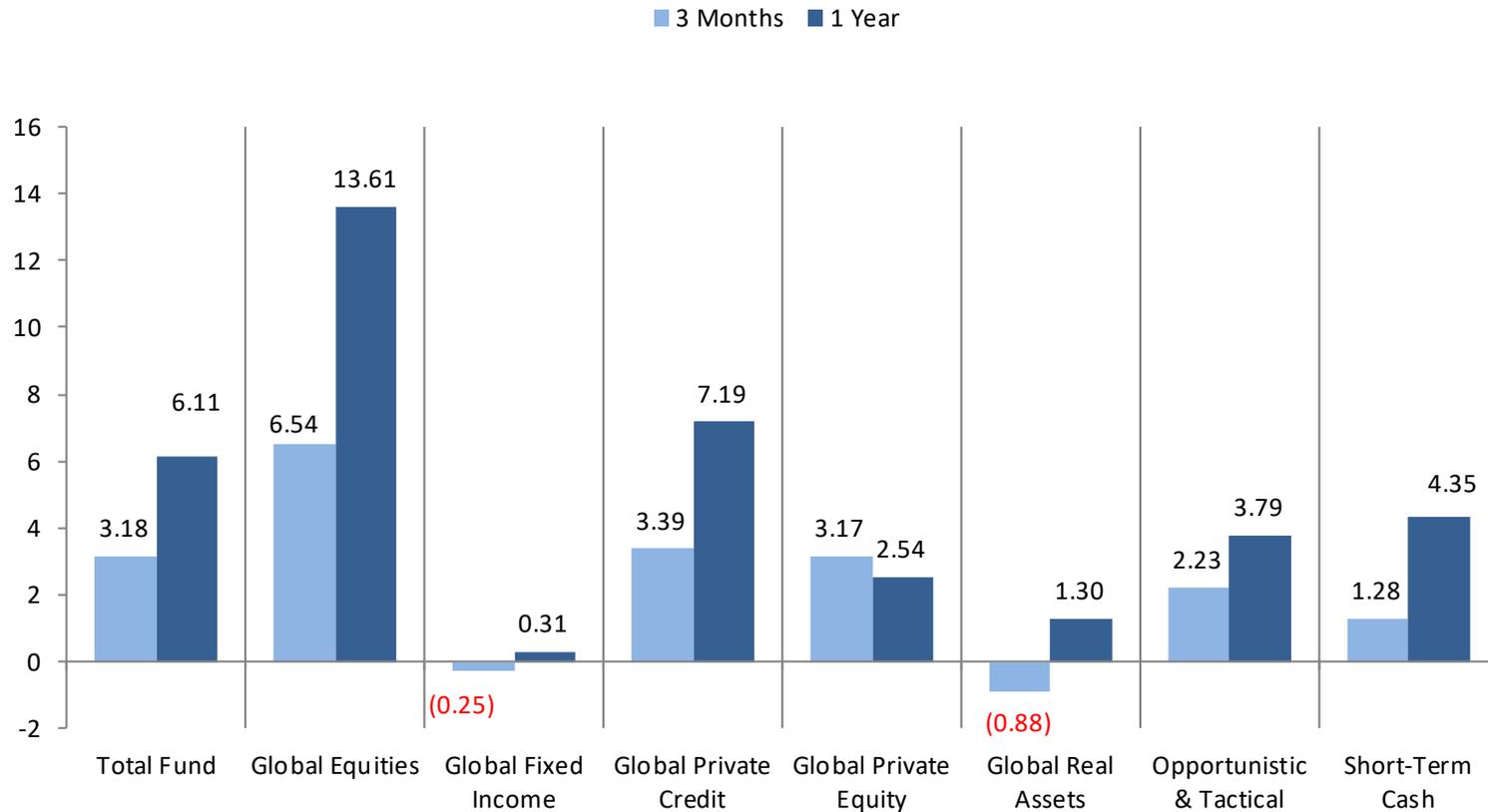


Total Fund Performance





Total Fund and Asset Class Performance (Net)

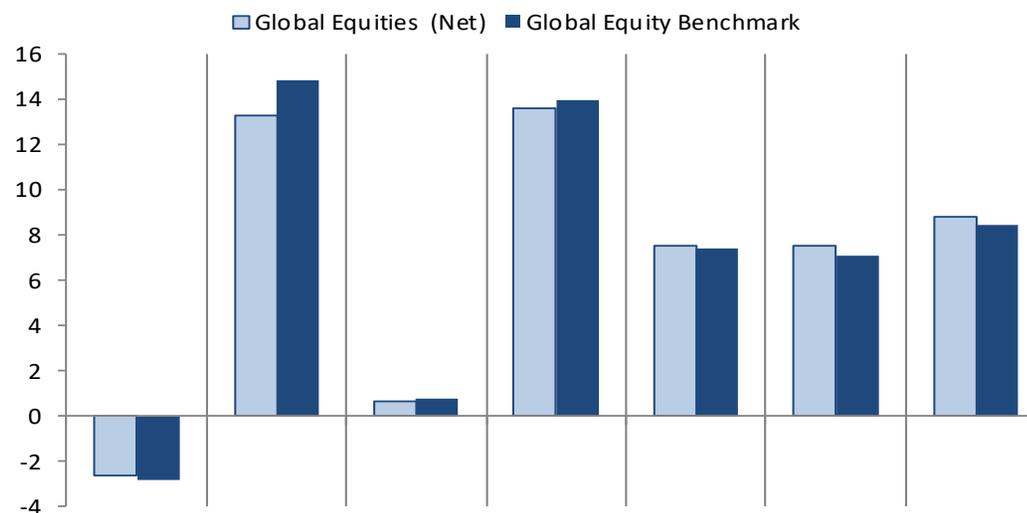


Source: BNY Mellon GRS



Global Equities Performance

Current Benchmark:
MSCI ACWI (Net Dividends)



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Global Equities (Gross)	(2.60)	13.51	0.70	13.93	7.82	7.84	9.14
Global Equities (Net)	(2.62)	13.30	0.66	13.61	7.50	7.53	8.80
Global Equity Benchmark	(2.79)	14.81	0.76	13.95	7.40	7.09	8.42
Value Added (Net of Fee)	0.18	(1.50)	(0.10)	(0.34)	0.10	0.44	0.38
Regional US Equity	(2.02)	15.43	1.34	13.13	8.84	9.58	11.73
Russell 3000 Index	(1.93)	18.01	1.59	14.76	9.81	10.25	12.23
Value Added (Net of Fee)	(0.09)	(2.58)	(0.25)	(1.63)	(0.97)	(0.67)	(0.50)
Regional Non-US Equity	(4.30)	9.11	(0.85)	12.93	5.27	4.82	5.56
Custom Non-US Equity BM	(4.52)	8.78	(0.63)	11.89	3.90	3.28	4.28
Value Added (Net of Fee)	0.22	0.33	(0.22)	1.04	1.37	1.54	1.28

Source: BNY Mellon GRS

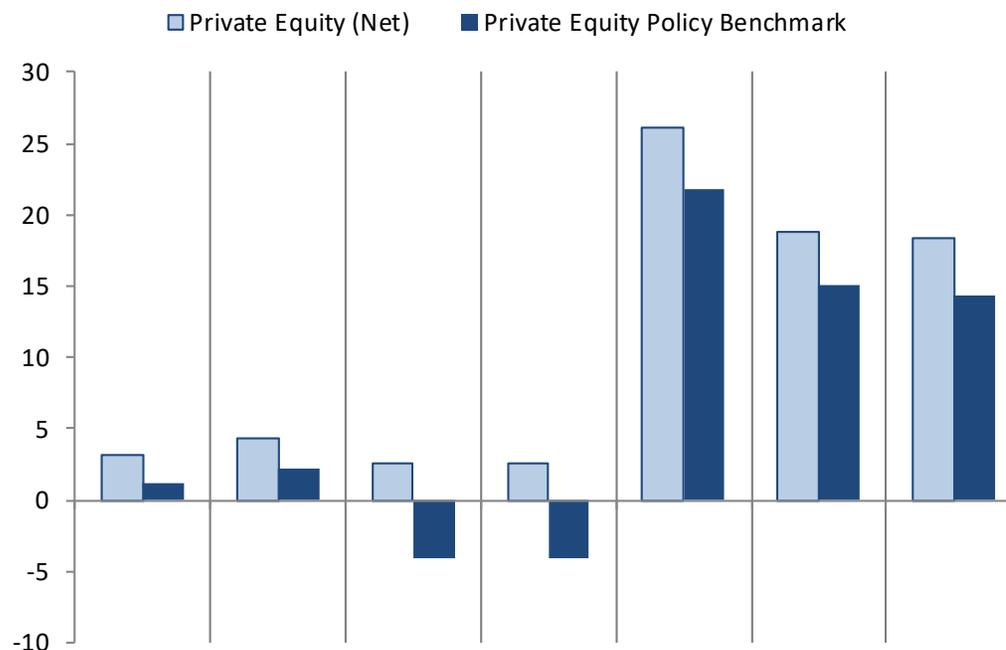


Global Private Equity Performance

Results as of: 06/30/2023

Current Benchmark:

Burgiss All Private Equity Index



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Private Equity (Gross)	3.48	5.10	4.21	4.21	28.14	20.64	20.06
Private Equity (Net)	3.17	4.36	2.54	2.54	26.17	18.86	18.37
Private Equity Policy Benchmark	1.15	2.18	(4.03)	(4.03)	21.74	15.05	14.32
Value Added (Net of Fee)	2.02	2.18	6.57	6.57	4.43	3.81	4.05

Source: BNY Mellon GRS

The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

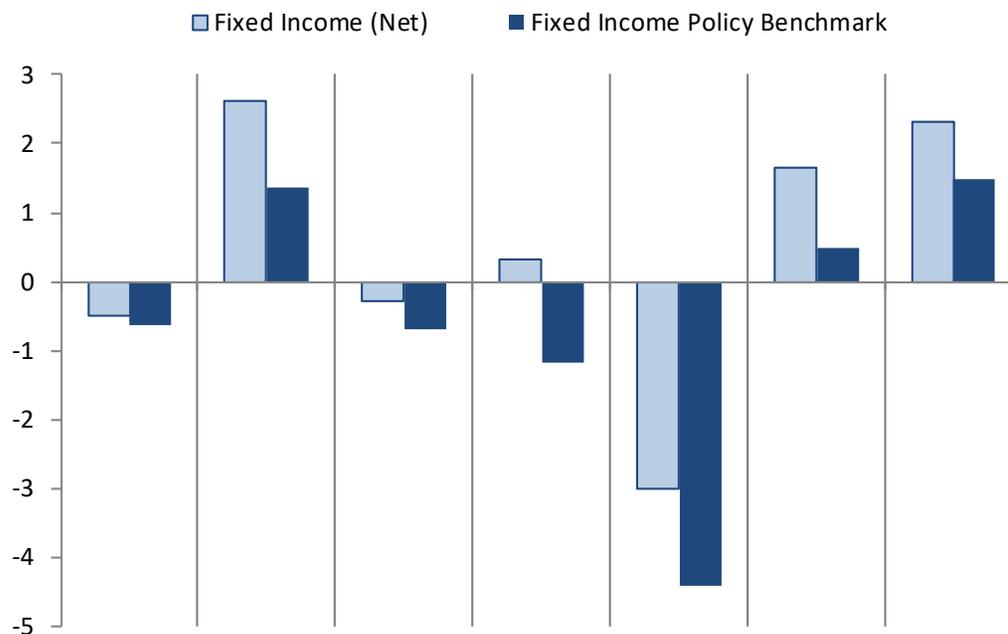
Global Private Equity performance is reported one quarter in arrears.



Global Fixed Income Performance

Current Benchmark:

Bloomberg Aggregate Bond Index



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Fixed Income (Gross)	(0.48)	2.79	(0.24)	0.58	(2.75)	1.89	2.57
Fixed Income (Net)	(0.49)	2.62	(0.27)	0.31	(3.01)	1.65	2.33
Fixed Income Policy Benchmark	(0.64)	1.37	(0.71)	(1.19)	(4.41)	0.49	1.48
Value Added (Net of Fee)	0.15	1.25	0.44	1.50	1.40	1.16	0.85

Source: BNY Mellon GRS

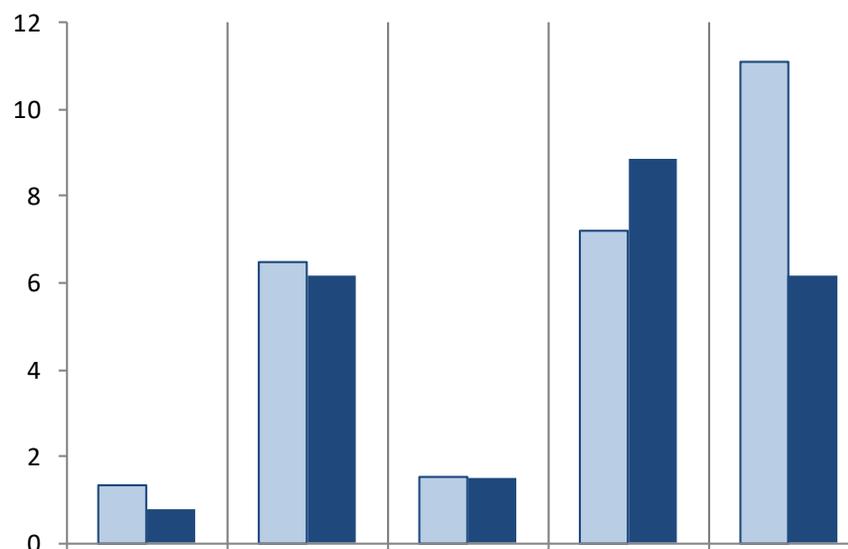


Global Private Credit Performance

■ Global Private Credit (Net) ■ Global Private Credit Policy Benchmark

Current Benchmark:

90 Day T-Bill (1q lag) + 4.5%



	1 Month	CYTD	FYTD	1 Year	3 Year
Global Private Credit (Gross)	1.34	7.31	1.52	8.72	12.65
Global Private Credit (Net)	1.34	6.48	1.52	7.19	11.10
Global Private Credit Policy Benchmark	0.78	6.17	1.53	8.84	6.15
Value Added (Net of Fee)	0.57	0.31	(0.01)	(1.65)	4.95

Source: BNY Mellon GRS

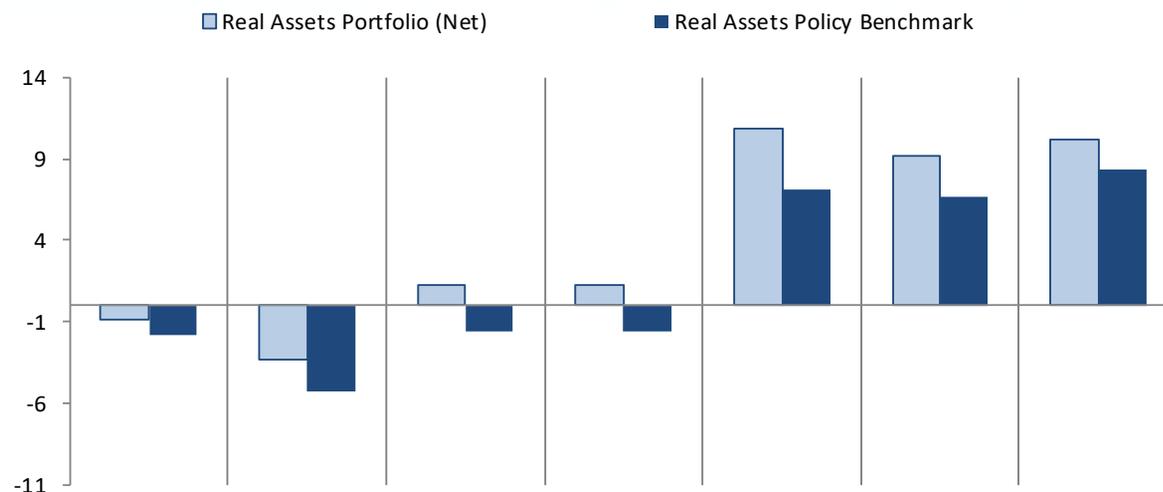
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.



Global Real Assets Performance

Results as of: 06/30/2023

Current Benchmark:
NCREIF Property Index (1q lag)



	Qtr	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Real Assets Portfolio (Gross)	(0.66)	(2.87)	2.17	2.17	11.76	10.12	11.27
Real Assets Portfolio (Net)	(0.88)	(3.28)	1.30	1.30	10.82	9.17	10.23
Real Assets Policy Benchmark	(1.81)	(5.25)	(1.63)	(1.63)	7.15	6.71	8.34
Real Assets Value Added (NOF)	0.93	1.97	2.93	2.93	3.67	2.46	1.88
Real Assets Core (Net)	(2.73)	(7.44)	(1.13)	(1.13)	11.17	9.64	10.17
Real Assets Policy Benchmark	(1.81)	(5.25)	(1.63)	(1.63)	7.15	6.71	8.34
Real Assets Core Value Added (NOF)	(0.92)	(2.19)	0.50	0.50	4.02	2.93	1.83
Real Assets Non-Core (Net)	(0.46)	(1.87)	(4.44)	(4.44)	5.87	6.58	9.43
Real Assets Policy Benchmark	(1.81)	(5.25)	(1.63)	(1.63)	7.15	6.71	8.34
Real Assets Non-Core Value Added (NOF)	1.35	3.38	(2.81)	(2.81)	(1.28)	(0.13)	1.09
Real Assets Infrastructure (Net)	2.74	5.36	8.36	8.36	12.45	9.96	n/a
Real Assets Policy Benchmark	(1.81)	(5.25)	(1.63)	(1.63)	7.15	6.71	n/a
Real Assets Infrastructure Value Added (NOF)	4.55	10.61	9.99	9.99	5.30	3.25	n/a

Source: BNY Mellon GRS

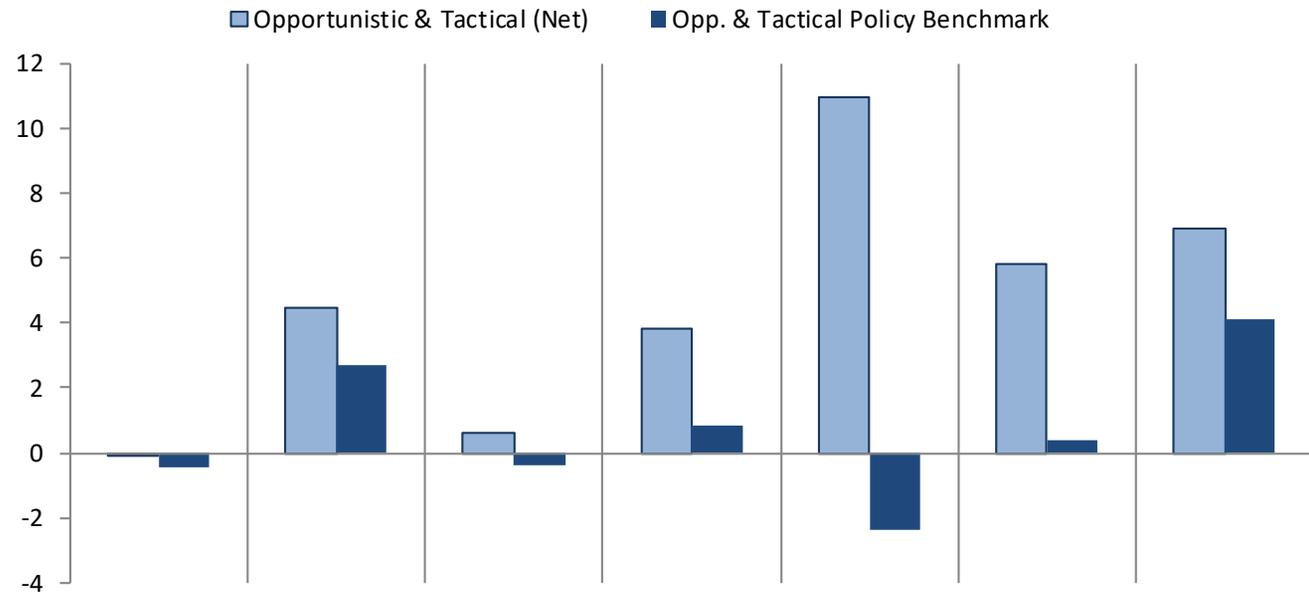
The difference between Gross and Net is management fee only. Performance based fees are captured in the Gross return.

Global Real Assets performance is reported one quarter in arrears.



Opportunistic & Tactical Performance

Current Benchmark:
*Bloomberg Aggregate
 Bond Index + 2%*



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Opportunistic & Tactical (Gross)	(0.11)	5.03	0.65	4.90	12.19	7.21	8.85
Opportunistic & Tactical (Net)	(0.12)	4.49	0.64	3.79	10.98	5.83	6.89
Opp. & Tactical Policy Benchmark	(0.47)	2.68	(0.35)	0.81	(2.40)	0.37	4.14
	0.35	1.81	0.99	2.98	13.38	5.46	2.75

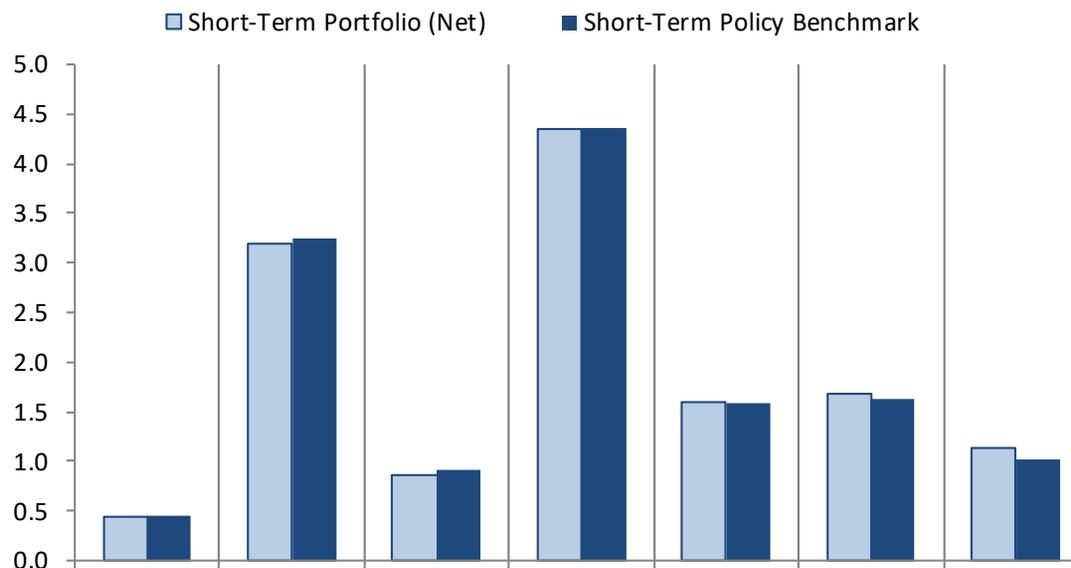
Source: BNY Mellon GRS



Short-Term Performance

Current Benchmark:

FTSE 30 Day Treasury Bill Index

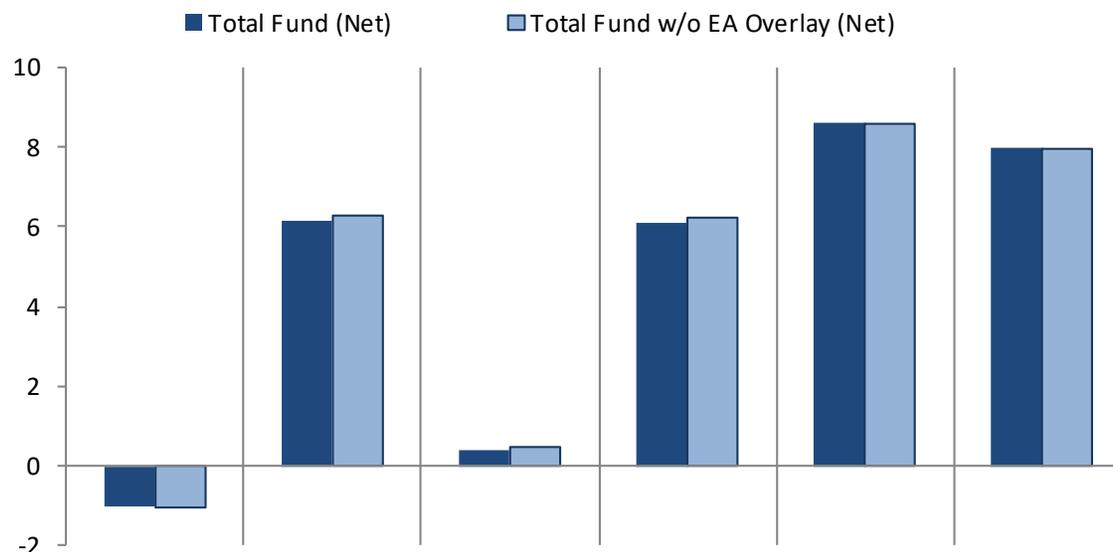


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Short-Term Portfolio (Gross)	0.44	3.20	0.87	4.35	1.60	1.67	1.13
Short-Term Portfolio (Net)	0.44	3.20	0.87	4.35	1.60	1.67	1.13
Short-Term Policy Benchmark	0.46	3.24	0.91	4.35	1.59	1.62	1.02
Value Added (Net of Fee)	(0.02)	(0.04)	(0.04)	(0.00)	0.01	0.05	0.11

Source: BNY Mellon GRS



Enhanced Asset Overlay Performance

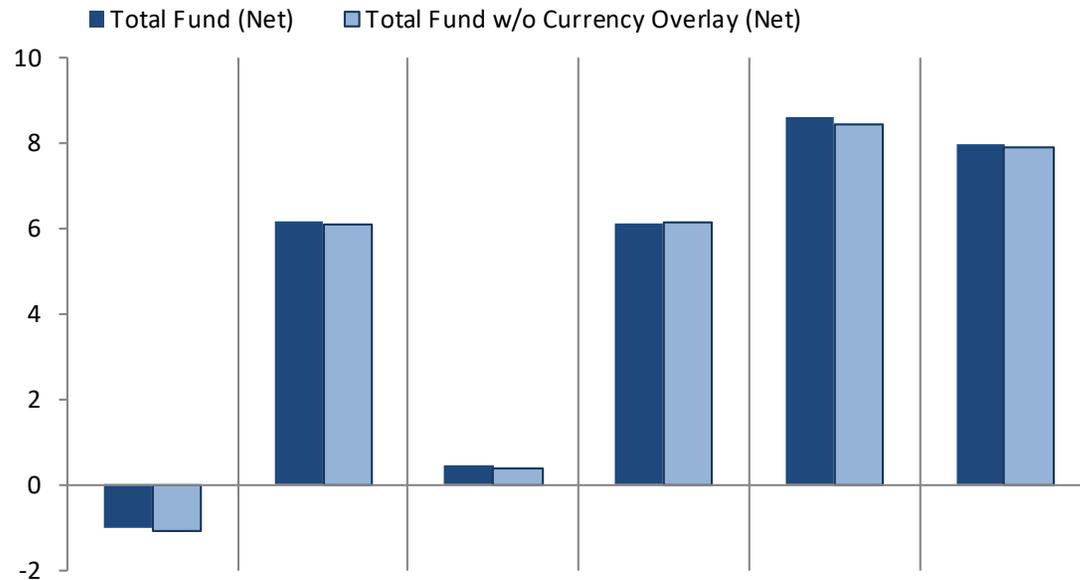


	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	(0.99)	6.55	0.47	6.84	9.29	8.64
Total Fund w/o EA Overlay (Gross)	(1.01)	6.64	0.50	6.95	9.26	8.60
Total Fund (Net)	(1.02)	6.18	0.43	6.11	8.60	7.96
Total Fund w/o EA Overlay (Net)	(1.04)	6.26	0.46	6.22	8.59	7.93
EA Overlay Impact (Net of Fee)	0.02	(0.08)	(0.03)	(0.11)	0.01	0.03

Source: BNY Mellon GRS



Currency Overlay Performance



	1 Month	CYTD	FYTD	1 Year	3 Year	5 Year
Total Fund (Gross)	(0.99)	6.55	0.47	6.84	9.29	8.64
Total Fund w/o Currency Overlay (Gross)	(1.06)	6.46	0.43	6.83	9.11	8.55
Total Fund (Net)	(1.02)	6.18	0.43	6.11	8.60	7.96
Total Fund w/o Currency Overlay (Net)	(1.09)	6.08	0.39	6.14	8.45	7.91
Currency Overlay Impact (Net of Fee)	0.07	0.10	0.04	(0.03)	0.15	0.05

Source: BNY Mellon GRS



Proposed Investment Agenda – Next Meeting

- Annual Portfolio Review – Fixed Income
- Wilshire Quarterly Performance Report (September 30, 2023)
- Quarterly Investment Report (September 30, 2023)

Memo

To:	Retirement Board
From:	Farouki Majeed
cc:	Richard Stensrud, Karen Roggenkamp
Date:	October 16, 2023
Re:	Asset Allocation Interim Targets

The Board approved revised asset allocation targets and ranges for the SERS Total Fund at the April 20, 2023 meeting increasing the Private Equity target from 12% to 14%, effective July 1, 2023. Since time is needed to implement the new Private Equity target, Staff recommends the Board approve interim targets for Private Equity and Global Equities over the period October 1, 2023 through December 31, 2024, as shown in the table below. To compensate for the reduction in Private Equity by 1%, Global Equities interim target will be increased by 1% to 41%. The policy targets for Global Equities and Private Equity will revert to 40% and 14% respectively effective January 1, 2025.

ASSET CLASS	Policy Targets	Policy Range	Interim Targets
Equity	54%	44% - 64%	54%
Global Equities	40%	35% - 45%	41%
Global Private Equities	14%	11% - 17%	13%
Income	46%	41% - 51%	46%
Global Fixed Income	18%	13% - 23%	18%
Global Private Credit	5%	3% - 7%	5%
Global Real Assets	20%	17% - 22%	20%
Cash	3%	1% - 5%	3%
Strategy			
Opportunistic & Tactical	0%	0% - 5%	0%
Total Assets			
Leverage	100%		100%
Total Notional Exposure (Including Leverage)	0%	0% - 10%	0%
		100% - 110%	

ASSET ALLOCATION RECOMMENDATION

As discussed during the October 19, Board meeting, _____ moved and _____ seconded the motion to approve interim Global Equities and Private Equity Asset Allocation targets over the period October 1, 2023, through December 31, 2024.

ASSET CLASS	Policy Targets	Policy Range	Interim Targets
Equity	54%	44% -- 64%	54%
Global Equities	40%	35% - 45%	41%
Global Private Equities	14%	11% - 17%	13%
Income	46%	41% - 51%	46%
Global Fixed Income	18%	13% - 23%	18%
Global Private Credit	5%	3% - 7%	5%
Global Real Assets	20%	17% - 22%	20%
Cash	3%	1% - 5%	3%
Strategy			
Opportunistic & Tactical	0%	0% - 5%	0%
Total Assets			
Leverage	100%		100%
Total Notional Exposure (Including Leverage)	0%	0% - 10%	0%

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbara Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

Memo

To: Retirement Board
From: Chris Collins
cc: Richard Stensrud, Karen Roggenkamp
Date: October 6, 2023
Re: **Federal Legislative Report**

OVERVIEW

Federal Government Shutdown Averted

President Joe Biden signed a short-term spending bill to avert a partial government shutdown starting Sunday, October 1st after a dramatic turn of events Saturday that saw the House quickly pivot to bipartisanship.

Hours before the midnight deadline, the Senate voted 88-9 to clear the House-passed, 45-day funding patch, which generally mirrors the Senate version except for one major omission: There's no military or economic aid for Ukraine, unlike the Senate bill, which had \$6 billion.

The House-backed continuing resolution would not cut spending, has no restrictive border policies and contains important disaster aid and other provisions. The House bill contains \$10 billion extra for disaster relief, for a total of \$16 billion, matching the White House request. But no money to support Ukraine in its battle against Russia, nor does it have an extension for expiring Ukrainian refugee benefits.

Democrats called on the House to bring a separate Ukraine aid bill to the floor. But ultimately there was no stomach to allow a government shutdown over the lack of Ukraine money, which lawmakers on both sides of the aisle said would be forthcoming in a separate package.

The House passed the bill earlier on a 335-91 vote, drawing critical backing from some Democrats who just hours earlier had criticized the bill and how quickly GOP leaders were trying to push it through.

With that bipartisan agreement, a partial government shutdown that many lawmakers thought inevitable was suddenly avoided.

Ohio Representatives Jim Jordan and Warren Davidson were the only Ohioans among the 90 House Republicans who opposed it. One House Democrat oppose it due to the lack of Ukrainian funds.

The Senate “no” votes on final passage were all Republicans: Marsha Blackburn and Bill Hagerty, both from Tennessee; Mike Braun of Indiana; Ted Cruz of Texas; Mike Lee of Utah; Eric Schmitt of Missouri; J.D. Vance of Ohio; and Roger Marshall of Kansas.

The bipartisan House measure marks a sharp turnaround from 24 hours earlier, when a very partisan and conservative House stopgap measure, with nearly 30 percent cuts to most domestic programs and tough border restrictions, went down to defeat.

No Democrats supported that proposal and 21 Republicans opposed it as well, which was the last straw for Speaker Kevin McCarthy (R-CA) and his allies, who realized there was no way some of their members would vote to keep the government open.

The new compromise legislation was unveiled shortly after a 90-minute House GOP meeting Saturday morning. The turn of events in the House had Senate Republicans reevaluating their options, and they stalled for their own time in a closed-door meeting.

Democrats also blasted the measure for initially omitting the annual statutory provision blocking a pay raise for lawmakers, though Republicans pointed out they will have a chance to debate that provision next week, when the Legislative Branch spending bill is expected to go to the floor.

Republicans must have had a change of heart after hearing concerns, however. After debate on the stopgap bill resumed Saturday, Legislative Branch Appropriations Subcommittee Chairman Mark Amodei (R-NV) said Republicans would fix it to “include the Senate’s genius language” blocking the member pay raise. The House then agreed by unanimous consent to add the Senate provision to the bill.

The House bill also drops some “anomalies” from the Senate version that would allow higher funding rates for pandemic preparedness and federal student aid administration. But it also mirrors Senate provisions that would extend the expiring Federal Aviation Administration authorization through December 31st and extend authorizations for the National Flood Insurance Program and community health centers through the CR’s duration, all provisions popular with Democrats.

Speaker McCarthy Ousted

In response to the weekend’s developments McCarthy rival Representative Matt Gaetz, the staunchly pro-Trump Floridian and most vocal of McCarthy’s critics, had threatened for months to oust the House Speaker if he relied on Democratic votes to pass legislation. Two days after McCarthy passed a stopgap measure with Democratic support, Gaetz followed through on the threat, bringing the motion to vacate and kicking off the process that ultimately toppled McCarthy.

The House recessed for the remainder of the week as the House Republicans discuss internally who might replace McCarthy as Speaker. Representative Jim Jordan (R-OH) has expressed interest in running for Speaker among several other possible options.

Senator Feinstein Passes Away, Laphonza Butler Appointed as Replacement

Sen. Dianne Feinstein (D-CA) a vocal advocate of gun control measures who was known for trying to find common ground with Republicans during her three decades in the Senate, died Friday, September 29th. She was 90. Feinstein, the oldest member of the Senate, the longest-serving female senator and the longest-serving senator from California, had announced that she planned to retire at the end of 2024, when her term is up. She had faced calls for her resignation over concerns about her health.

Laphonza Butler was sworn in Tuesday, October 3rd to fill the seat. California Gov. Gavin Newsom moved quickly to select Butler as an interim appointment, who was the president of EMILY's List and a former SEIU Executive Vice President. Butler is the first openly LGBTQ person to represent California in the chamber.

With her swearing-in, the Democrats again have a 51-49 majority; it puts them in a position to fill Feinstein's seat on the Judiciary Committee, which has been deadlocked in Feinstein's absence. Major contenders in the Senate race to succeed Feinstein are Democratic Reps. Adam Schiff, Katie Porter and Barbara Lee.

CHINA EXECUTIVE ORDER COMMENT LETTER

In a September 28th letter to the Treasury Department, four national public pension fund groups expressed strong support for the aims of President Biden's Executive Order curbing U.S. investments in certain advanced technologies and products in China.

The letter requested additional clarification regarding outbound investments made by limited partners in private pooled funds and whether the rulemaking, which Treasury has not yet issued, would apply to future investments only.

The joint letter from the Council of Institutional Investors (CII), the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS) and the National Council on Teacher Retirement (NCTR) responds to the Treasury's August 9th request for comment in advance of rulemaking to restrict investments in China that involve semiconductors and microelectronics, quantum information technologies or artificial intelligence.

WINDFALL ELIMINATION PROVISION (WEP) AND GOVERNMENT PENSION OFFSET (GPO)

The National WEP/GPO Repeal Task Force, a coalition of retired and active public sector organizations and individuals, hosted an Advocacy Summit in Washington, D.C., on September 13th. At a press conference coordinated with the summit, Representatives Garret Graves (R-LA) and Abigail Spanberger (D-VA) announced their WEP/GPO repeal bill (HR 82) has gained its 290th cosponsor. That will allow Graves to file a motion to add the bill to the House Consensus Calendar, which would force either a floor vote or committee action. However, Graves indicated he planned to hold off on filing the motion as he enters discussions with the House Ways and Means Committee.

Bills to reform the WEP formula to make it more fair have also been reintroduced by Representatives Richard Neal (D-MA) - HR 4260, and Jodey Arrington (R-TX) - HR 5342, but are less likely to receive attention now that previous WEP reform champion, Rep. Brady has retired and Rep. Neal is no longer chairman of House Ways and Means.

Representative John Larson (D-CT) has also reintroduced his Social Security 2100 legislation (HR 4583) as a comprehensive Social Security enhancement bill that also includes repeal of WEP and GPO. However, given the current political climate it is unlikely WEP and GPO will receive serious attention until Congress takes on overall Social Security reform.

HEALTH CARE

SERS Comments on Medicare Prescription Drug Payment Reform Regulations

SERS submitted a letter to CMS on September 20th responding to a request to comment on the proposed Prescription Payment Plan, requesting exemption for Employer Group Waiver Plans (EGWP) like SERS from the regulation. Our arguments included the authority of the pension system

to implement a payment plan, and existing low cost sharing among EGWP, with details about SERS plan's low out-of-pocket expenses.

Senate Finance Committee Introduces Pharmacy Benefit Manager Bill

Senate Finance Committee Chair Ron Wyden (D-OR) and Ranking Member Mike Crapo (R-ID) introduced the Modernizing and Ensuring PBM Accountability (MEPA) Act. The legislative text reflects the Chairman's Mark that was reported out of the Finance Committee in July. The bill looks to update federal prescription drug programs to address the practices of pharmacy benefit managers. Among its provisions, the bill prohibits pharmacy benefit manager compensation in Medicare from being tied to the sticker price of a drug, increases transparency by creating independent audit and enforcement measures, and provides relief to independent community pharmacies.

House Committees Hold Health Care Oversight Hearings

The House Ways and Means Committee conducted a hearing on September 19th to address issues arising from the flawed implementation of surprise medical billing protections, particularly through the No Surprises Act (NSA). Witnesses included healthcare professionals and industry representatives. The hearing focused on the detrimental effects of the complex independent resolution dispute (IDR) process on patients, healthcare providers, and facilities. Committee members emphasized that the current process does not align with the original intent of the legislation and stressed the importance of transparency, fairness, and enforcement in the IDR process. Witnesses warned that if these issues are not resolved, providers and healthcare organizations may have to reduce services, harming patients' access to care. Representatives expressed frustration with the problematic implementation of this bipartisan legislation.

The House Committee on Energy & Commerce Subcommittee on Health recently held a hearing titled Examining Policies to Improve Seniors' Access to Innovative Drugs, Medical Devices, and Technology. The hearing consisted of two witnesses, from CMS and the U.S. Government Accountability Office (GAO). Chairman Guthrie (R-KY) opened the session by discussing the financial burden on seniors due to healthcare costs, expressing support for bills to improve Medicare coverage for breakthrough therapies, and creating a more consistent process for national coverage determinations. Additionally, the Chairman suggested exploring better ways to manage chronic diseases and emphasized the need to prevent seniors and taxpayers from overpaying for drugs.

FEDERAL LEGISLATION BOARD REPORT
118th United States Congress
(Prepared by Chris Collins as of October 6, 2023)

H.R.82

SPONSOR: Rep. Graves, Garret (R-LA)

LAST ACTIONS: House - 01/09/2023 Referred to the House Committee on Ways and Means

CAPTION: Social Security Fairness Act of 2023

COMMENT: Repeals the GPO and WEP. 296 co-sponsors; 11 Ohioans

S.597

SPONSOR: Sen. Brown, Sherrod [D-OH]

LAST ACTIONS: Senate - 03/01/2023 Read twice and referred to the Committee on Finance.

CAPTION: Social Security Fairness Act

COMMENT: Repeals the GPO and WEP. 46 co-sponsors; Both Ohio Senators

H.R.4260

SPONSOR: Rep. Neal, Richard (D-MA)

LAST ACTIONS: House - 06/21/2023 Referred to the House Committee on Ways and Means

CAPTION: To amend title II of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

COMMENT: 101 co-sponsors; two Ohioans

H.R.4583

SPONSOR: Rep. John Larson (D-CT)

LAST ACTIONS: House - 07/12/2023 Referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

CAPTION: Social Security 2100 Act. To protect our Social Security system and improve benefits for current and future generations.

COMMENT: 179 co-sponsors; four Ohioans

H.R.5342

SPONSOR: Rep. Jodey Arrington (R-TX)

LAST ACTIONS: House - 09/05/2023 Referred to the House Committee on Ways and Means

CAPTION: To amend title II of the Social Security Act to replace the windfall elimination provision with a formula equalizing benefits for certain individuals with noncovered employment, and for other purposes.

COMMENT: 28 co-sponsors; one Ohioan

STATE LEGISLATION BOARD REPORT
(Prepared by Chris Collins as of October 6, 2023)

135th General Assembly

SB6 ESG POLICIES-STATE ENTITIES (Schuring, K) - Regarding environmental, social, and corporate governance policies with respect to the state retirement systems, Bureau of Workers' Compensation, and state institutions of higher education.

Current Status: 05/23/2023, Referred to House Financial Institutions

HB4 LEGISLATIVE INTENT-ECONOMIC BOYCOTTS (Young, T., King, A.) To declare the General Assembly's intention to enact legislation regarding financial institutions and other businesses that conduct economic boycotts or discriminate against certain companies or customers based on certain factors.

Current Status: 02/16/2023, Referred to Financial Institutions Committee

HB33 FY24-25 OPERATING BUDGET (Edwards, J.) To make operating appropriations for the biennium beginning July 1, 2023, and ending June 30, 2025, to levy taxes, and to provide authorization and conditions for the operation of state programs. [Includes SERS' CBBC provision]

Current Status: 07/03/2023 SIGNED BY GOVERNOR; effective 7/1/23

HB146 SERS BENEFIT CAP (Bird, A.) To establish a contribution based benefit cap in calculating a School Employees Retirement System member's retirement benefit.

Current Status: 05/16/2023, REPORTED OUT, House Pensions, (Third Hearing)

HCR 6 URGE CONGRESS - REPEAL WINDFALL ELIMINATION PROVISION (King, Plummer) To urge Congress to repeal the Windfall Elimination Provision.

Current Status: 05/16/2023, REPORTED OUT AS AMENDED, House Pensions, (Third Hearing)

HB257 VIRTUAL MEETINGS FOR PUBLIC BODIES (Hoops, Claggett) - To authorize certain public bodies to meet virtually, and to declare an emergency.

Current Status: 10/03/2023 House Government Oversight, (First Hearing)

School Employees Retirement System of Ohio
REVIEW OF ADMINISTRATIVE EXPENSES
Sep-23

Expense Account	Vendor	Amount
53100 - Salaries & Wages	ADP, LLC	1,146,474.49
	Subtotal	1,146,474.49
53110 - Salaries & Wages - Overtime	ADP, LLC	5,300.33
	Subtotal	5,300.33
53111 - Vacation Leave Expense	ADP, LLC	92,702.14
	Subtotal	92,702.14
53112 - Sick Leave Expense	ADP, LLC	42,238.35
	Subtotal	42,238.35
53120 - Incentive Pay	ADP, LLC	905,075.65
	Subtotal	905,075.65
53200 - Employer Contributions - PERS	ADP, LLC	275,293.14
	Ohio Public Emp. Retirement System- adjustment	(0.21)
	Subtotal	275,292.93
53300 - Group Life	American United Life Insurance Company	6,075.33
	Subtotal	6,075.33
53310 - Long Term Disability	American United Life Insurance Company	3,401.80
	Subtotal	3,401.80
53315 - Short Term Disability	American United Life Insurance Company	2,645.96
	Subtotal	2,645.96
53320 - Group Health Claims	Aetna Daily Wires - ESERS	240,812.48
	Subtotal	240,812.48
53321 - Group Health - Admin Fees	Aetna Admin - ESERS	7,670.32
	Subtotal	7,670.32
53322 - Prescription Claims	Express Scripts - Rebate	(112,169.10)
	Express Scripts - ESERS	131,461.29
	SaveonSP, LLC	243.56
	Subtotal	19,535.75
53324 - Group Health - Stop Loss Admin	Aetna Admin - ESERS	17,697.28
	Subtotal	17,697.28
53326 - Vision Claims	VSP - (OH)	2,022.70
	Subtotal	2,022.70
53327 - Vision Admin Fees	VSP - (OH)	121.68
	Subtotal	121.68
53330 - Group Health - Employee Cost	Employee Premiums	(34,799.38)
	Subtotal	(34,799.38)
53331 - Group Health - Wellness Incentive	ADP, LLC	4,065.00
	Subtotal	4,065.00
53332 - Group Health - Tobacco Premiums	ADP, LLC	(680.00)
	Subtotal	(680.00)
53340 - Medicare Premium - Employer	ADP, LLC	30,927.20
	ADP, LLC - adjustment	0.02
	Subtotal	30,927.22
53350 - Workers Compensation	Ohio Bureau Of Workers Compensation	850.00
	Subtotal	850.00
53380 - Deferred Compensation Match	ADP, LLC	4,770.00
	Subtotal	4,770.00
54100 - Actuarial Services	Cavanaugh MacDonald Consulting, LLC	12,000.00
	Cavanaugh MacDonald Consulting, LLC	12,800.00
	Subtotal	24,800.00
54310 - Custodial Fees	BNY Mellon Asset Servicing	89,942.98
	Subtotal	89,942.98
54320 - Custodial Banking	Huntington National Bank	14,557.20
	Subtotal	14,557.20
54410 - Master Recordkeeper Fees	BNY Mellon Asset Servicing	86,666.67
	Subtotal	86,666.67

54420 - Investment Advisory Fees	Wilshire/Aksia		43,869.86
		Subtotal	43,869.86
54430 - Performance/Analytics Fee	BNY Mellon Asset Servicing Bloomberg Index Services Frank Russell Company Wilshire Advisors, LLC		34,401.66 15,500.04 250.00 3,000.00
		Subtotal	53,151.70
54520 - Medical Consultant	Borchers, M.D., Glen G.		3,750.00
		Subtotal	3,750.00
54610 - Special Counsel	Seyfarth Shaw LLP		26,075.00
		Subtotal	26,075.00
54620 - Technical	Sagitec Solutions, LLC LexisNexis Risk Data Management, Inc ComResource Velosio CDW-Government, Inc. Buck Global, LLC Merative US L.P. Improving Ohio, Inc.		68,000.63 5,748.50 3,852.50 367.50 58,800.00 2,500.00 29,500.00 437.50
		Subtotal	169,206.63
54630 - Other Professional Services	Wickert, Kimberly Cristo Rey Columbus High School Vorys Advisors LLC Sedgwick CMM Digitization Services, LLC		405.00 5,000.00 3,666.66 1,295.00 9,386.00
		Subtotal	19,752.66
55100 - Postage	Pitney Bowes Inc. United States Postal Service Unishippers Association FedEx		5,247.44 100,000.00 163.79 32.95
		Subtotal	105,444.18
55200 - Telecommunications Services	Verizon Wireless Nextel Communications AT&T LUMEN Spectrum Everstream Solutions LLC XO Verizon		578.70 55.48 40.10 3,539.08 2,003.90 1,376.00 2,149.86
		Subtotal	9,743.12
55300 - Member/Employer Education	Eventbrite- employer payments Vaughan, Cameron Richards, Michelle		(705.83) 130.95 29.22
		Subtotal	(545.66)
55400 - Printing Paper	Sterling Paper Company		4,419.80
		Subtotal	4,419.80
55420 - Communications & Publications	Tension Envelope Corporation Baise Quality Printing Proforma Graphic Services Bindery and Specialties, Inc.		2,406.71 2,726.15 974.70 12,452.00
		Subtotal	18,559.56
56030 - Software Maintenance	Sagitec Solutions, LLC Progress		70,000.00 2,952.18
		Subtotal	72,952.18
56035 - Software Subscriptions	ADP, LLC Liquid Web Inc Zoom Expedient Amazon Web Services Software Information Resource Corp		2,933.02 326.57 556.81 13,380.40 63.60 16,275.88
		Subtotal	33,536.28
56040 - Hardware < \$5,000	Amazon.com Brady		65.96 524.56
		Subtotal	590.52
56110 - Equipment Repairs & Maintenance	Ricoh USA, Inc Canon Financial Services, Inc US Bank Equipment Finance		2,065.62 2,191.27 1,202.75
		Subtotal	5,459.64
56130 - Office Supplies & Expenses	Amazon.com		33.95
		Subtotal	33.95
56150 - Furniture & Equipment < \$5,000	Amazon.com		2,096.00
		Subtotal	2,096.00
56160 - Records Storage	Vital Records Holdings, LLC		125.00
		Subtotal	125.00
56210 - Seminars & Conferences	Workiva Inc. Ohio Conference for Payroll Professionals		1,295.00 152.00

	Miller, Michelle	155.00
	NASIO	2,950.00
	CFA Institute	700.00
	International Foundation of Employee Benefit Plans	6,145.00
	Institutional Society of Risk Professionals	875.00
	Institute for Natural Resources	152.00
	Workday Inc.	299.00
	OSHA Education Center	67.99
	Institute for Brain Potential	89.00
	Subtotal	12,879.99
53370 - Tuition	Hartsell, Darin	2,144.00
	Subtotal	2,144.00
56310 - Travel & Transportation	Price, Steve	1,899.95
	Stensrud, Richard	2,313.37
	Naber, Jason	791.10
	Rossler, James	244.00
	Haller, James	249.00
	Sisson, Phil	542.84
	Majeed, Farouki	2,926.51
	Moss, Catherine	1,231.37
	Wilson, Daniel L.	122.00
	King, Matt	244.00
	Weglarz, Frank	324.71
	Sodders, LaShaun	665.06
	Hyland, Christopher	1,255.43
	Russell, Aimee	317.83
	Subtotal	13,127.17
56311 - Mileage	Price, Steve	23.60
	Rossler, James	182.10
	Haller, James	126.80
	Miller, Michelle	123.80
	Sisson, Phil	22.54
	Majeed, Farouki	18.80
	Moss, Catherine	226.64
	Wilson, Daniel L.	195.20
	King, Matt	157.20
	Weglarz, Frank	213.54
	Sodders, LaShaun	90.12
	Russell, Aimee	105.06
	Subtotal	1,485.40
56410 - Subscriptions	Wall Street Journal	116.97
	Fifth Third Bank	(20.45)
	Constant Contact	343.00
	Financial Times	379.00
	Shutterstock, Inc.	29.00
	Subtotal	847.52
56420 - Memberships	Project Management Institute	160.18
	AICPA	340.00
	Public Pension Financial Forum	300.00
	Public Relations Society of America	267.00
	Association of Certified Fraud Examiners	245.00
	Subtotal	1,312.18
56630 - Interior Landscaping	Ambius Inc. (05)	1,366.37
	Subtotal	1,366.37
56640 - Vehicle Expense	Ohio Treasurer of State - BMV	299.56
	Katz Tires	53.75
	BP Oil Company	59.00
	Subtotal	412.31
56620 - Staff Support	ADP, LLC	3,472.00
	Premier ProduceOne	290.35
	Amazon.com	483.06
	PayFlex Systems USA, Inc.	343.00
	Sam's Club	47.66
	Wellable LLC	465.40
	Flanagan, Michael - new hire lunch	148.93
	Aetna Behavioral Health, LLC	282.60
	Subtotal	5,533.00
56621 - Recruiting Expense	YourMembership.com	315.00
	ADP Screening & Selection Services	412.44
	Indeed	2,198.17
	Wiley	435.00
	HRdirect	163.40
	Subtotal	3,524.01
56710 - Board Member - School Board Reimb.	Ashland City School District	1,419.87
	Subtotal	1,419.87
56900 - Reimbursement of Leased Svcs	Reimbursement of Leased Services	(25,416.67)
	Subtotal	(25,416.67)
	Total SERS Administrative Expense	3,575,022.45

School Employees Retirement System of Ohio

Summary of administrative operation expenses during the period **September 1, 2023-September 30, 2023.**

Actuals
Sep-2023

Account	Amount
Salaries & Wages	1,146,474.49
Salaries & Wages- Overtime	5,300.33
Vacation Leave Expense	92,702.14
Sick Leave Expense	42,238.35
Incentive Pay	905,075.65
Employer Contributions- PERS	275,292.93
Group Life	6,075.33
Long Term Disability	3,401.80
Short Term Disability	2,645.96
Group Health Claims	240,812.48
Group Health- Admin Fees	7,670.32
Prescription Claims	19,535.75
Group Health- Stop Loss Admin	17,697.28
Vision Claims	2,022.70
Vision Admin Fees	121.68
Group Health- Employee Cost	(34,799.38)
Group Health- Wellness Incentive	4,065.00
Group Health- Tobacco Premiums	(680.00)
Medicare Premium- Employer	30,927.22
Workers Compensation	850.00
Deferred Compensation Match	4,770.00
Actuarial Services	24,800.00
Custodial Fees	89,942.98

Custodial Banking	14,557.20
Master Recordkeeper Fees	86,666.67
Investment Advisory Fees	43,869.86
Performance/ Analytics Fee	53,151.70
Medical Consultant	3,750.00
Special Counsel	26,075.00
Technical	169,206.63
Other Professional Services	19,752.66
Postage	105,444.18
Telecommunications Services	9,743.12
Member/Employer Education	(545.66)
Printing Paper	4,419.80
Communications & Publications	18,559.56
Software Maintenance	72,952.18
Software Subscriptions	33,536.28
Hardware < \$5,000	590.52
Equipment Repairs & Maintenance	5,459.64
Office Supplies & Expenses	33.95
Furniture & Equipment < \$5,000	2,096.00
Records Storage	125.00
Seminars & Conferences	12,879.99
Tuition	2,144.00
Travel & Transportation	13,127.17
Mileage	1,485.40
Subscriptions	847.52
Memberships	1,312.18
Interior Landscaping	1,366.37
Vehicle Expense	412.31

Staff Support	5,533.00
Recruiting Expense	3,524.01
Board Member- School Board Reimb.	1,419.87
Reimbursement of Leased Svcs.	(25,416.67)
Total Administrative Expenses	3,575,022.45

FY2024 Administrative Budget
Board Expense to Budget Reporting
Year-to-Date Through September 30, 2023

Major Category/Sub-Major Category	Line Item	Vendor	FY2024 Budget Approved	Year to Date Expense	Additional Information
PROFESSIONAL SERVICES			\$ 6,456,304.92	\$ 1,543,353.43	
ACTUARIAL ADVISORS			\$ 292,500.00	\$ 57,561.00	
	Actuarial	Cavanaugh Macdonald	292,500.00	57,561.00	Actuarial Consultant
AUDITING			\$ 234,000.00	\$ 20,850.00	
	Auditing	Plante Moran	184,000.00	20,000.00	External Auditor
BANKING FEES			\$ 1,262,940.00	\$ 270,401.36	
	Custodial Banking		1,068,000.00	241,955.93	
		Fifth Third	336,000.00	73,268.35	Domestic Custodian
		BNYM	732,000.00	168,687.58	International Custodian
	Administrative Banking	Huntington National Bank/ TOS	194,940.00	28,445.43	Banking Services
INVESTMENT RELATED			\$ 2,465,348.92	\$ 709,613.52	
	Master Recordkeeper		1,056,000.00	278,396.77	
	Investment Consulting & Advisory Services		525,000.00	131,609.58	
		Wilshire	450,000.00	112,499.95	Investment Consulting
	Performance Analytics Services		703,264.92	184,626.27	
		Barra-One Risk Mgmt Sys	238,445.00	59,611.25	Investment Risk Analytics
		BNY Mellon GRS	412,820.00	103,234.98	Investment Performance Analytics
TECHNICAL			\$ 2,156,516.00	\$ 473,677.55	
	Special Counsel		240,000.00	33,535.00	
	Technical		1,360,084.00	216,831.88	
		Merative	121,000.00	29,500.00	Data Warehouse
		Sagitec	550,000.00	105,884.63	SMART Development Resources
		Waco	105,600.00	-	Service Desk Contract Services
	Other Professional Services		556,432.00	223,310.67	
OTHER OPERATING EXPENSE			\$ 4,108,942.43	\$ 989,583.78	
COMPUTER SUPPORT SERVICES			\$ 2,737,127.33	\$ 760,382.65	
	Software Maintenance		1,047,108.00	253,042.67	
		Hyland	119,061.00	117,916.85	ImageNow
		Dell	290,000.00	-	Microsoft Enterprise Agreement/ True Up
		Sagitec	420,000.00	105,000.00	SMART Silver Support
	Software Subscriptions		1,444,815.33	481,911.17	
		DRaaS	158,000.00	40,141.20	Expedient
		Dynamo	202,000.00	199,940.00	Dynamo Software, INC
		Carahsoft	124,850.00	125,911.80	ServiceNow System
		UCaaS Vendor- TBD	128,500.00	-	Telecommunication Services
PROPERTY MANAGEMENT LIABILITY INSURANCE			\$ 582,403.00	\$ 133,279.00	
	Management Liability Insurance		582,403.00	133,279.00	
		Cyber Liability Insurance	190,315.00	44,728.75	ARC Excess & Surplus, LLC
		Crime Fiduciary D&O Insurance	389,388.00	88,550.25	ARC Excess & Surplus, LLC

PROJECT ITEMS

Major Category/Sub-Major Category	Line Item	Project	FY2024 Budget	YTD Expense	Additional Information
PROFESSIONAL SERVICES					
	TECHNICAL				
		CBBC Programming	150,000.00	-	CBBC programming

SERS

UNBUDGETED PROJECT ITEMS

Major Category/Sub-Major Category	Line Item	Project	FY2024 Budget	YTD Expense	Expense Reallocation
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OSERS BROAD STREET, LLC

UNBUDGETED PROJECT ITEMS

Major Category	Line Item	Project	FY2024 Budget	YTD Expense
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SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
FINANCIAL HIGHLIGHTS

As of August 31, 2023 and 2022

(unaudited)

SERS (All Funds)	8/31/23 YTD	8/31/22 YTD	Comparative Difference	% Difference
<u>ADDITIONS</u>				
Employer Contributions	\$92,995,833	\$86,210,789	\$6,785,044	8%
Member Contributions	59,808,884	55,573,815	4,235,069	8
Health Care Premiums, Subsidies & Other Income	32,564,227	19,119,938	13,444,289	70
Total Investment Income, Net	14,616,735	168,789,864	(154,173,129)	(91)
TOTAL ADDITIONS	199,985,679	329,694,406	(129,708,727)	(39)
<u>DEDUCTIONS</u>				
Retirement, Disability, Survivor & Death Benefits	233,737,109	227,024,219	6,712,890	3
Health Care Expenses	37,518,692	33,373,524	4,145,168	12
Refunds & Transfers	15,404,902	15,509,555	(104,653)	(1)
Administrative Expenses (excluding Investments)	4,771,834	5,246,486	(474,652)	(9)
TOTAL DEDUCTIONS	291,432,537	281,153,784	10,278,753	4
Changes in Net Position	(91,446,856)	48,540,622	(139,987,478)	(288)
Net Position - Beginning	18,265,722,222	17,574,319,449	691,402,773	4
SERS Net Position - Ending	\$18,174,275,366	\$17,622,860,071	\$551,415,295	3%

HEALTH CARE FUND

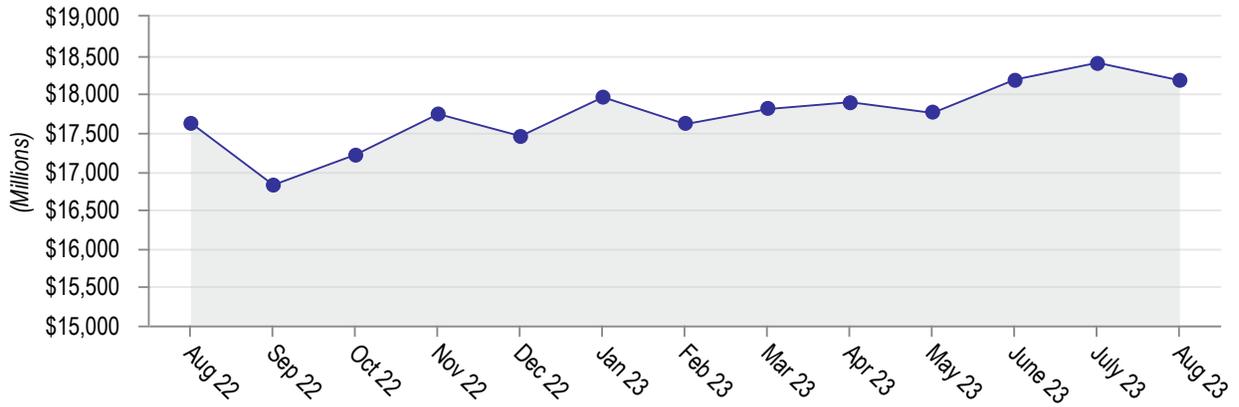
HEALTH CARE ADDITIONS

Employer Contributions	\$9,398,923	\$8,798,296	\$600,627	7%
Health Care Premiums	9,889,801	10,301,609	(411,808)	(4)
Medicare Subsidies & Other Income	22,674,426	8,818,329	13,856,097	157
Total Investment Income, Net	439,045	4,357,988	(3,918,943)	(90)
TOTAL HEALTH CARE ADDITIONS	42,402,195	32,276,222	10,125,973	31
TOTAL HEALTH CARE DEDUCTIONS	37,988,826	33,818,324	4,170,502	12
Changes in Net Position	4,413,371	(1,542,102)	5,955,473	386
Net Position - Beginning	706,785,561	611,574,409	95,211,152	16
SERS Health Care Fund Net Position - Ending	\$711,198,932	\$610,032,307	\$101,166,625	17%

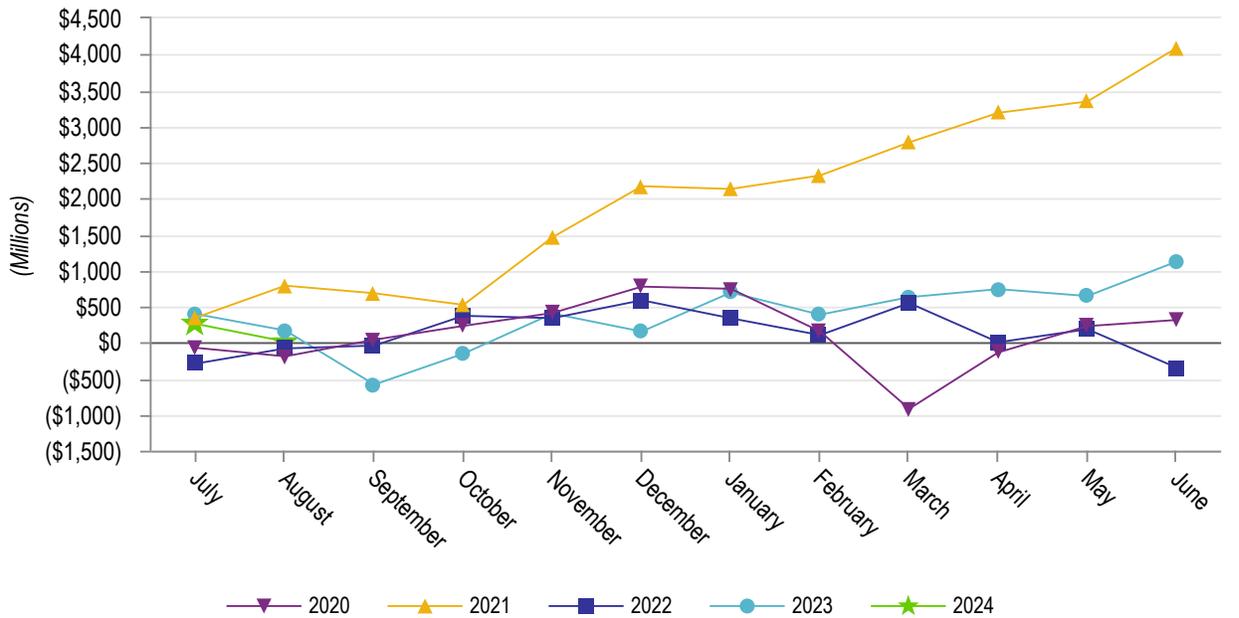
ADMINISTRATIVE EXPENSES

	8/31/23 YTD	Fiscal Year Annual Budget	% of Annual Budget
Personnel	\$3,759,494	\$25,471,425	15%
Professional Services	1,011,580	6,456,305	16
Communications	106,140	1,015,710	10
Other Operating Expenses	834,610	4,108,942	20
TOTAL ADMINISTRATIVE EXPENSES	\$5,711,824	\$37,052,382	15%

Total SERS Fund Balance for Previous 12 Months



Investment Income (includes realized and unrealized gains & losses)



Health Care Fund Balance Trend



Memo

To: Retirement Board
From: Richard Stensrud
cc: Karen Roggenkamp
Date: October 13, 2023
Re: **CBBC Cover Memo**

Last month the Board began consideration of the 'factor' that will be used as the multiplier of the employee contribution annuity that is compared to the formula benefit under the Contribution Based Benefit Cap (CBBC). This multiplier/factor establishes the 'outer limit' of the acceptable gap between the formula benefit and the contribution-funding benefit. The Board determined that more discussion was necessary before deciding upon the specific factor, but that the 'floor' for the factor would be 5.5, meaning that the factor would be no lower than 5.5.

To assist with the assessment of what the factor should be, the Board was previously provided with the following information, which has again been provided for the Board's consideration:

- An analysis of actual retirements in 2020-2021 and 2022-2023 that shows how many retirees would have been impacted if the factor was set at 3, 4, 5, 5.5 and 6 or above. Of the nearly 3,000 retirements in 2022-2023, only 22 people would have been impacted by the CBBC if the factor was set at 5.5 and only 10 people would have been impacted if the factor was set at 6. A similar number, and percentage of retirees, would have been impacted by a factor of 5.5 or above in the more than 3,400 retirements in 2020-2021.
- Scenarios drawn from actual retirements that show how/whether a CBBC with a factor of 5 or 6 would impact retirees with different career patterns and compensation history. The scenarios include:
 - Three members, at different salary levels, with steady compensation increases.
 - Two members with steady compensation increases compared to a member with compensation inflation in their last three years.
 - A member with steady compensation increases compared to a member switching to full time after 20 years of part time hours worked.
 - A member retiring at 65 compared to a member retiring at 52. Each member furthered their education and changed jobs ten years from retirement.
 - A member with extremely low compensation for most of their career followed by three years of high earnings.
 - A summary of the scenarios.

The Board was also provided with information regarding the career profile of the people who would have been impacted at a factor of 5.5 or above to help identify the elements that would have triggered application of the CBBC. Those features included:

- A career that began with and/or had a substantial number of years of part-time service, followed by a shift to full-time service in the latter part of the career. In some cases, the person may have had multiple years of full-time service, but they had materially more years of part-time service which limited their contributions and thus their CBBC annuity.
- Retirement at a young age, which means that they will draw a benefit longer. This has the effect of reducing the annuity amount used in the CBBC. If the member had retired at or near the common retirement age of 65, their CBBC factor would have been lower.
- Substantial compensation increases in the latter part of their career. This resulted in an inflated Final Average Salary (FAS) with fewer years to accrue more contributions to support the FAS.
- Joint retirement with another retirement system. In some cases, higher compensation in the service with the second system inflated the FAS for the SERS service. In some cases, we have not yet received the contributions from the other system so the contributions used to calculate the CBBC annuity are not yet full and final and thus the CBBC factor is higher than it will be when all the contributions are received.

Some additional information has been provided this month for the Board's consideration. Specifically, SERS' actuary Cavanaugh Macdonald has modeled five sample retirement scenarios, based on actual retirements, illustrating whether an increase of 5%, 10% or 15% in the FAS, immediately prior to retirement, five years prior to retirement, or ten years prior to retirement would have impacted the person's CBBC factor and bring them into application of the CBBC. As you will see from the analysis, in none of the scenarios, which included different retirement ages, different career lengths, and different FAS levels, did the increase in FAS trigger application of a CBBC with a factor of 5.5 or above.

I hope the information provided is helpful for your discussion and consideration of what the CBBC factor should be.



CBBC EXPLAINED

September 2023

The following Contribution Based Benefit Cap (CBBC) scenarios were developed to demonstrate how the CBBC prevents excessive benefit inflation (spiking) in a manner that provides a measure of equity. The CBBC benefit calculation does not replicate the Formula Benefit calculation (2.2% of FAS x Years of Service Credit); instead, it uses the following three components to determine the CBBC benefit:

- Accumulated contributions: the amount members paid into the system
- Annuity factor: age-based number provided by SERS' actuary that converts the accumulated contributions to an annuity payable over the retiree's expected remaining life; and
- CBBC factor: a figure set by the Board that reflects the acceptable size of the gap between the Formula Benefit and the annuity payable based on the accumulated contributions.

In these scenarios, the CBBC benefit is reflected at a factor of 5.5 and 6. Based on the data reviewed, most SERS members have contribution histories that result in a CBBC factor that is less than 4.

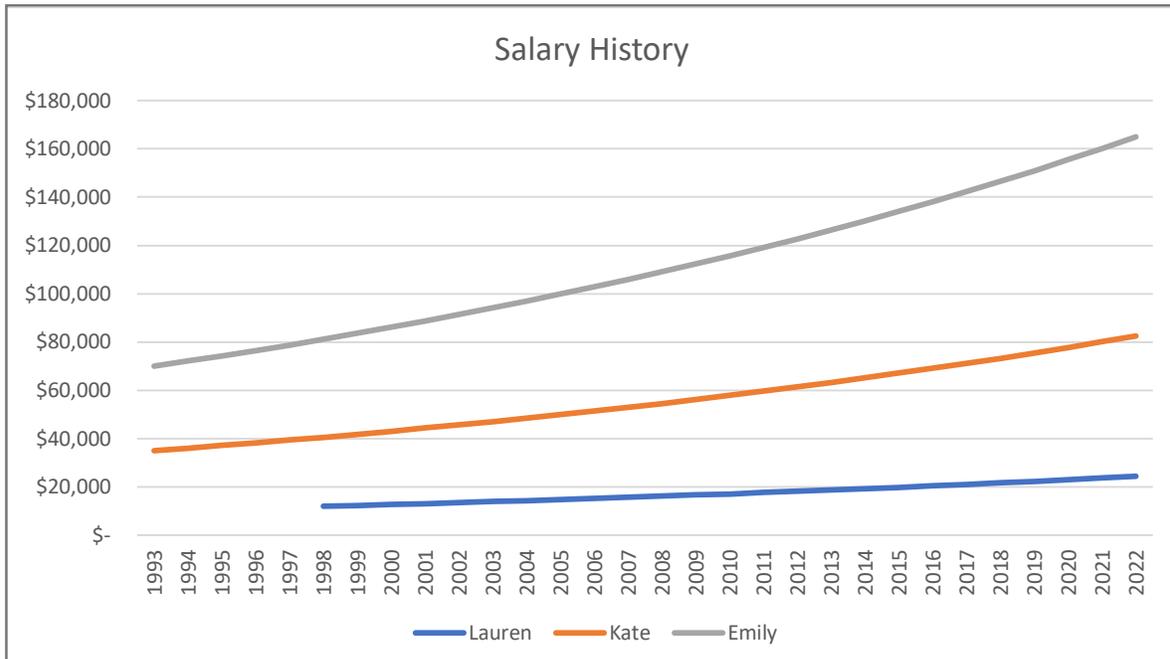
However, as demonstrated below, some members contribute in such a way that their CBBC factor is greater than 5.5 (i.e., their Formula Benefit is at least 5.5 times greater than their contribution-based annuity). With a high annuitized contribution to Formula Benefit ratio, it is the system that subsidizes the Formula Benefits for these members since contributions and investment returns may not adequately fund their benefit. The higher a member's CBBC factor, the greater the likelihood and extent of subsidization by SERS. The CBBC serves as a limit on how much the System will tolerate as to an individual Formula Benefit.

Of great importance is the CBBC factor the Board wishes to use – a CBBC factor that is too low may capture too many members, while a CBBC factor that is too high may unfairly reward members whose contributions have not adequately funded their Formula Benefit. The Board will need to decide where the equity line should be drawn.

The following pages demonstrate different scenarios:

- [Full Career, Regular Raises](#) – [Three members with steady compensation increases](#)
- [Full Career, Above Market Raises](#) – [Two members with steady compensation increases compared to a member with salary spiking their last three years](#)
- [Part Time vs. Full Time](#) – [One member with steady compensation increases compared to a member switching to full time after 20 years of part time hours worked](#)
- [Younger vs. Older Retirement Age](#) – [One member retiring at 65 compared to a member retiring at 52. Each member furthered their education and changed jobs 10 years from retirement.](#)
- [Late Career Salary Boost](#) – [One member with extremely low wages for most of their career follow by three years of high earnings](#)
- [Overview](#) – [A summary of all scenarios](#)
- [CBBC Impact on Prior Retirements](#)

Full Career, Regular Raises

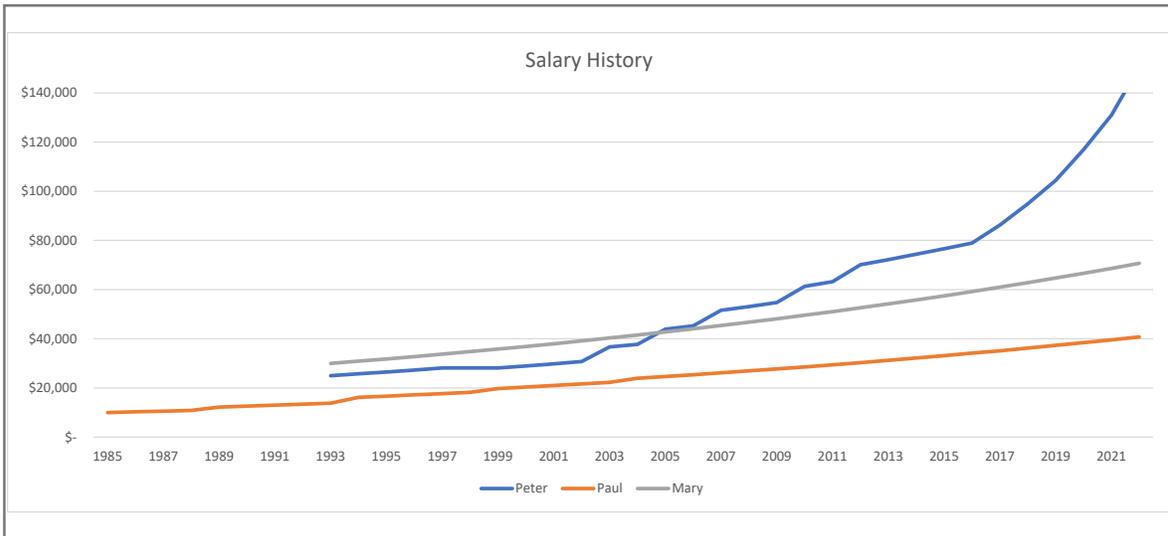


	Lauren	Kate	Emily
Age	67	65	57
Years of Service Credit	25	30	30
3-Yr FAS	\$ 23,690	\$ 80,101	\$ 160,202
Accumulated Contributions	\$ 42,975	\$ 162,031	\$ 324,062
Formula Benefit	\$ 13,029	\$ 52,867	\$ 105,733
Actual CBBC Factor	3.07	3.45	3.88
CBBC Cap - 5.5	\$ 23,311	\$ 84,370	\$ 149,947
CBBC Cap - 6	\$ 25,430	\$ 92,040	\$ 163,578

This scenario reflects three members with different salaries, but they all received the same 3% salary increase annually over their 25-30 years of service.

Members with normal salary increases adequately contribute toward their formula benefit. However, members should consider their age at retirement when planning for retirement, as younger retirement ages can lead to incremental increases in their CBBC factor.

Full Career, Above Market Raises

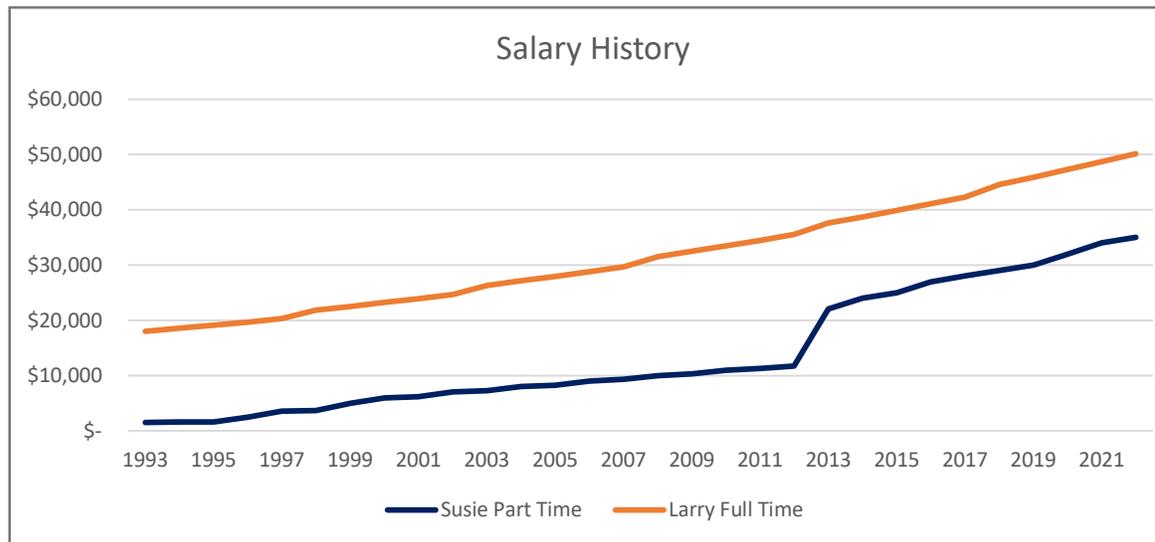


	Peter	Paul	Mary
Age	60	60	60
Years of Service	30	38	30
3-Yr FAS	\$ 132,797	\$ 39,581	\$ 68,658
Accumulated Contributions	\$ 175,065	\$ 86,815	\$ 138,884
Formula Benefit	\$ 87,646	\$ 34,040	\$ 45,314
Actual CBBC Factor	5.74	4.49	3.74
CBBC Cap - 5.5	\$ 84,038	\$ 41,675	\$ 66,670
CBBC Cap - 6	\$ 91,678	\$ 45,463	\$ 72,731

In this scenario, we have three members of the same age with various years of service. Peter's salary history reflects a 30-year career with varying changes in salary including periods of steady increases, no increases, various bonuses, and above market salary increases near the end of his career. Paul's salary history reflects a 38-year career with steady salary increases. Mary's career, while shorter, also reflects steady salary increases.

Peter's above market salary increases near the end of his career would result in his benefit being capped with a CBBC factor of 5.5; however, it would not have been capped with a CBBC factor of 6.

Part Time vs. Full Time

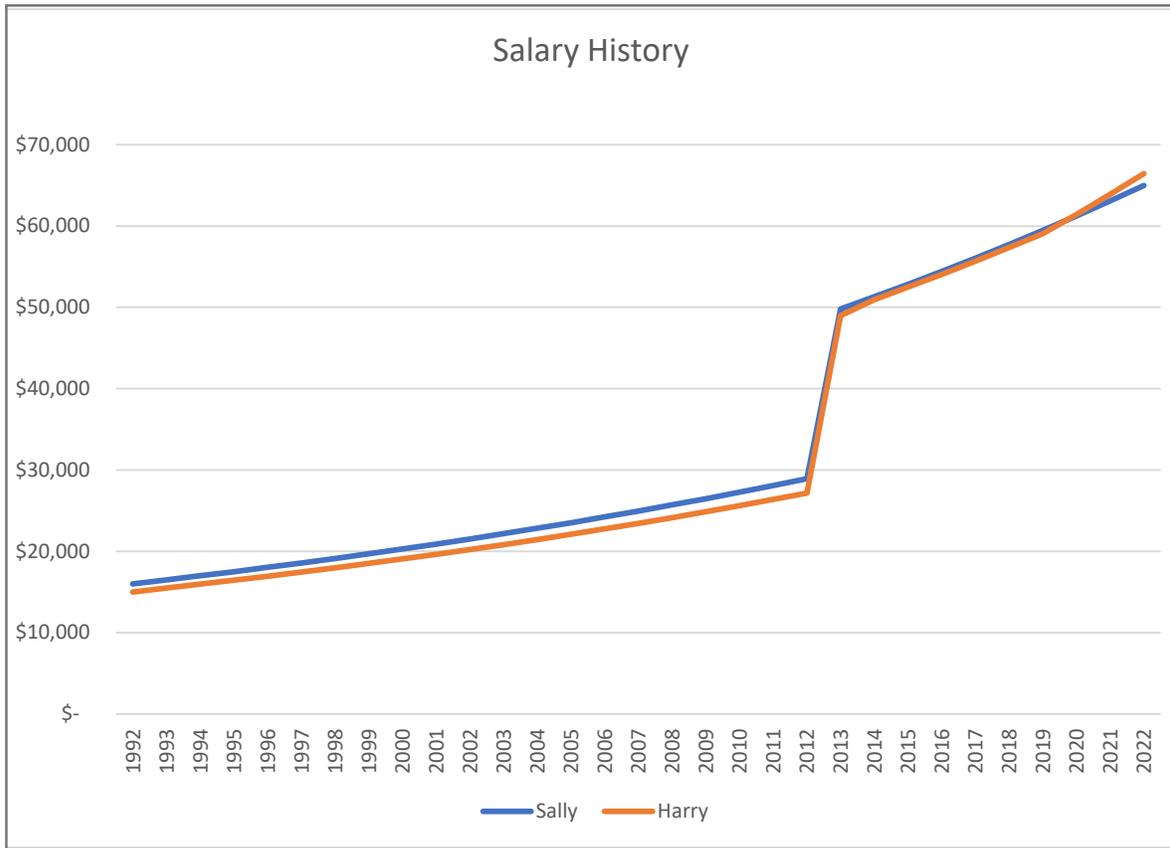


	Susie P-T	Larry F-T
Age	65	65
Years of Service	30	30
3-Year FAS	\$ 33,673	\$ 48,701
Accumulated Contributions	\$ 41,606	\$ 93,126
FAS Benefit	\$ 22,224	\$ 32,143
Actual CBBC Factor	5.64	3.65
CBBC Cap - 5.5	\$ 21,664	\$ 48,491
CBBC Cap - 6	\$ 23,633	\$ 52,899

In this scenario we have one member, Susie P-T, who worked part time while her children were in school. Once they graduated, she switched to full-time hours. Larry F-T worked full time his entire career, receiving normal salaries increases.

Susie's switch to full-time work during her final 10 years would result in her benefit being capped with a CBBC factor of 5.5; however, it would not have been capped with a CBBC factor of 6.

Younger vs. Older Retirement Age

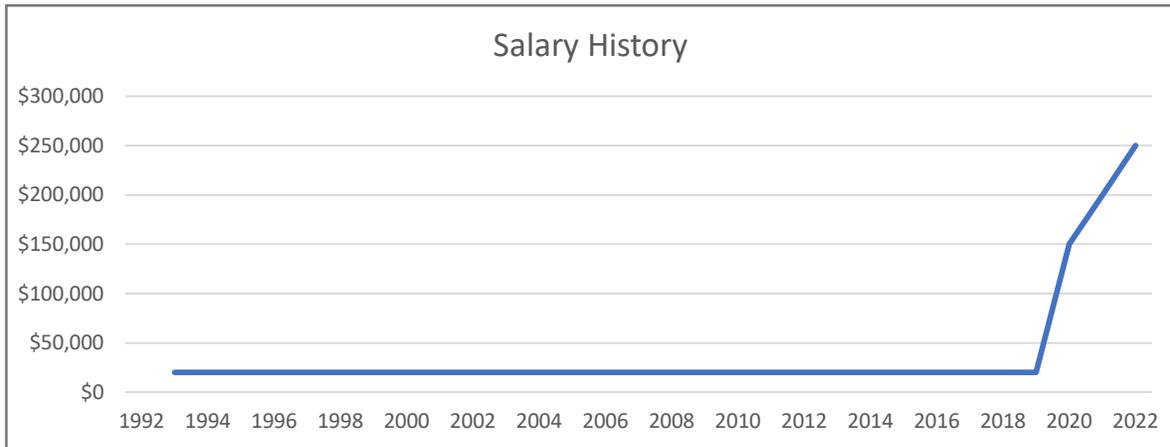


	Sally	Harry
Age	65	52
Years of Service	31	31
3-Year FAS	\$ 63,105	\$ 63,923
Accumulated Contributions	\$ 100,754	\$ 98,050
FAS Benefit	\$ 43,227	\$ 43,787
Actual CBBC Factor	4.53	5.57
CBBC Cap - 5.5	\$ 52,463	\$ 43,257
CBBC Cap - 6	\$ 57,232	\$ 47,189

In this scenario we have one member, Sally, who started her career at 35. Harry started his career at 22. They both work the same number of years with similar salaries. While they both worked 31 years, Harry retired at 52, as he was grandfathered under the previous retirement eligibility rules.

Given Harry's young retirement, he is expected to receive retirement benefits longer than Sally. The annual benefit based on his accumulated contributions would be paid out over more years resulting in a smaller annual benefit and a higher CBBC factor. Harry's scenario would result in his benefit being capped with a CBBC factor of 5.5; however, it would not have been capped with a CBBC factor of 6.

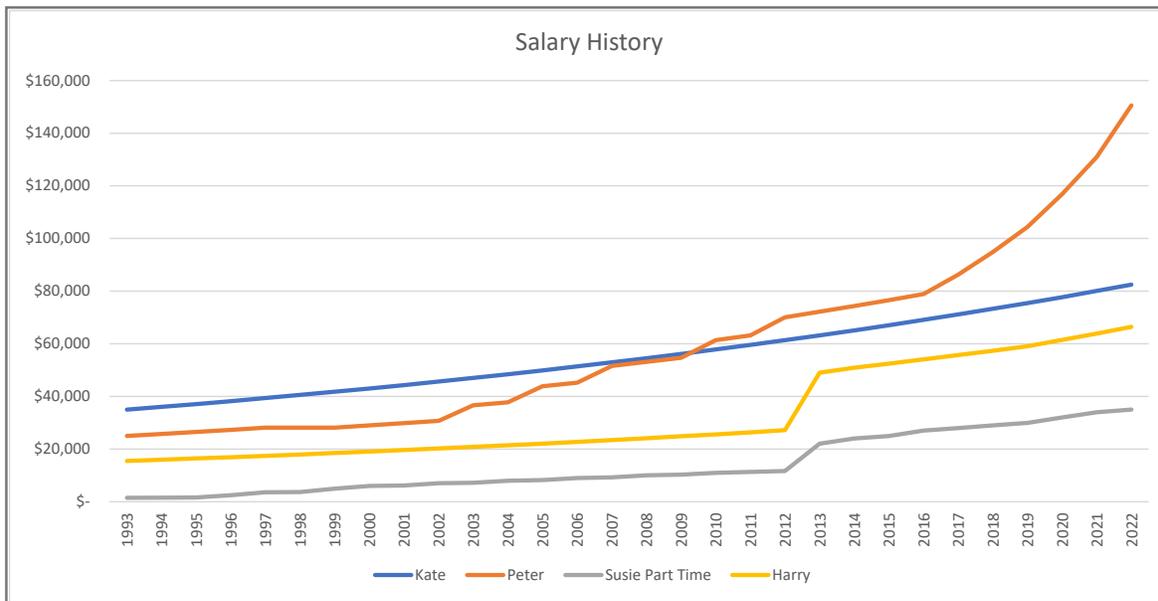
Late Career Salary Boost



	Max
Age	65
Years of Service	30
3-Year FAS	\$ 200,000
Accumulated Contributions	\$ 111,800
FAS Benefit	\$ 132,000
Actual CBBC Factor	12.47
CBBC Cap - 5.5	\$ 58,214
CBBC Cap - 6	\$ 63,506

Max contributes on a salary in the lower to mid-20's his first 27 years, but Max's salary increases drastically during his last three years of service to a quarter-million dollars. This results in a Formula Benefit for Max that exceeds his accumulated contributions in one year. The CBBC ensures Max's benefit is more consistent with his earnings history.

Overview



	Kate	Peter	Susie P-T	Harry
Scenario	3% annual increase	3% annual increase, occasion bonuses, above market increases last three years	Part time first 20 years. Full time final 10 years	3% annual increase, one \$20K mid-career increase, retire early
Age	65	60	65	52
Years of Service	30	30	30	31
3-Yr FAS	\$ 80,101	\$ 132,797	\$ 33,673	\$ 63,923
Accumulated Contributions	\$ 162,031	\$ 175,065	\$ 41,606	\$ 98,050
Formula Benefit	\$ 52,867	\$ 87,646	\$ 22,224	\$ 43,787
Actual CBBC Factor	3.45	5.74	5.64	5.57
CBBC Cap - 5.5	\$ 84,370	\$ 84,038	\$ 21,664	\$ 43,257
CBBC Cap - 6	\$ 92,040	\$ 91,678	\$ 23,633	\$ 47,189

A member's CBBC factor at retirement can be influenced by a variety of elements such as the timing of bonuses, above market salary increases, part-time work, and/or career changes. All these scenarios individually or combined have the potential to impact a member's Formula Benefit. While Peter, Susie PT, and Harry's salary scenarios exceeded a CBBC of 5.5, none of them exceed a CBBC of 6. Only the egregious salary increases included in the Late Career Salary Boost scenario produced a CBBC factor greater than 6 for the scenarios included in this analysis.

CBBC Impact on Prior Retirements

CBBC Factor	All Age and Service Retirements	
	5/2020-6/2021	7/2022-6/2023
<2	330	262
≥2 but <3	1,380	1,376
≥3 but <4	1,179	961
≥4 but <4.50	309	207
≥4.50 but <5	123	85
≥5 but <5.50	55	34
≥5.50 but <6	17	12
≥6.0	11	10
TOTALS	3,404	2,947

SERS staff consulted with Cavanaugh Macdonald to analyze the CBBC impact on SERS member retirements with benefit effective dates of July 2022 to June 2023 as compared to those with benefit effective dates of May 2020 to June 2021.

Query Results

- Time Frame July 2022 – June 2023 (compared to May 2020 – June 2021)
- Excludes new disability conversion retirements
- 2,947; Total age and service retirements
- Lowest CBBC: .937
- Highest CBBC: 7.721
- 56 age and service retirements with a CBBC greater than or equal to 5.0 (1.90% of the 2,947 retirements)
- 22 age and service retirements with a CBBC greater than or equal to 5.5 (0.75% of the 2,947 retirements)
- 10 age and service retirements with a CBBC greater than or equal to 6.0 (0.34% of the 2,947 retirements)



CBBC SCENARIOS: RETIREE 1



Retirement Age
47



Service at Retirement
30 Years



Annuity Factor
12.9671

No Change		
A.	Accumulated Contributions (No Interest)	\$126,894
B.	Retirement Age	47
C.	Final Average Earnings	\$62,981
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$41,567
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$9,786
I.	CBBC Factor (F. / H.)	4.25

5% Increase in FAS at Retirement		
A.	Accumulated Contributions (No Interest)	\$127,839
B.	Retirement Age	47
C.	Final Average Earnings	\$66,130
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$43,646
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$9,859
I.	CBBC Factor (F. / H.)	4.43

5% Increase in FAS Five Years Prior to Retirement		
A.	Accumulated Contributions (No Interest)	\$129,225
B.	Retirement Age	47
C.	Final Average Earnings	\$66,130
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$43,646
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$9,966
I.	CBBC Factor (F. / H.)	4.38

5% Increase in FAS Ten Years Prior to Retirement		
A.	Accumulated Contributions (No Interest)	\$130,407
B.	Retirement Age	47
C.	Final Average Earnings	\$66,130
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$43,646
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$10,057
I.	CBBC Factor (F. / H.)	4.34

10% Increase in FAS at Retirement		
A.	Accumulated Contributions (No Interest)	\$128,783
B.	Retirement Age	47
C.	Final Average Earnings	\$69,279
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$45,724
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$9,932
I.	CBBC Factor (F. / H.)	4.60

10% Increase in FAS Five Years Prior to Retirement		
A.	Accumulated Contributions (No Interest)	\$131,556
B.	Retirement Age	47
C.	Final Average Earnings	\$69,279
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$45,724
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$10,145
I.	CBBC Factor (F. / H.)	4.51

10% Increase in FAS Ten Years Prior to Retirement		
A.	Accumulated Contributions (No Interest)	\$133,919
B.	Retirement Age	47
C.	Final Average Earnings	\$69,279
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$45,724
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$10,328
I.	CBBC Factor (F. / H.)	4.43

15% Increase in FAS at Retirement		
A.	Accumulated Contributions (No Interest)	\$129,728
B.	Retirement Age	47
C.	Final Average Earnings	\$72,428
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$47,803
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$10,004
I.	CBBC Factor (F. / H.)	4.78

15% Increase in FAS Five Years Prior to Retirement		
A.	Accumulated Contributions (No Interest)	\$133,887
B.	Retirement Age	47
C.	Final Average Earnings	\$72,428
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$47,803
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$10,325
I.	CBBC Factor (F. / H.)	4.63

15% Increase in FAS Ten Years Prior to Retirement		
A.	Accumulated Contributions (No Interest)	\$137,432
B.	Retirement Age	47
C.	Final Average Earnings	\$72,428
D.	Service at Retirement	30
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$47,803
G.	Annuity Factor	12.9671
H.	Annuitized Contributions (A. / G.)	\$10,599
I.	CBBC Factor (F. / H.)	4.51



CBBC SCENARIOS: RETIREE 2



Retirement Age
53



Service at Retirement
31 Years



Annuity Factor
12.3623

No Change

A.	Accumulated Contributions (No Interest)	\$138,288
B.	Retirement Age	53
C.	Final Average Earnings	\$67,307
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$46,105
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$11,186
I.	CBBC Factor (F. / H.)	4.12

5% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$139,297
B.	Retirement Age	53
C.	Final Average Earnings	\$70,672
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$48,410
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$11,268
I.	CBBC Factor (F. / H.)	4.30

5% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$140,779
B.	Retirement Age	53
C.	Final Average Earnings	\$70,672
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$48,410
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$11,388
I.	CBBC Factor (F. / H.)	4.25

5% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$142,041
B.	Retirement Age	53
C.	Final Average Earnings	\$70,672
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$48,410
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$11,490
I.	CBBC Factor (F. / H.)	4.21

10% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$140,307
B.	Retirement Age	53
C.	Final Average Earnings	\$74,037
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$50,716
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$11,350
I.	CBBC Factor (F. / H.)	4.47

10% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$143,270
B.	Retirement Age	53
C.	Final Average Earnings	\$74,037
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$50,716
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$11,589
I.	CBBC Factor (F. / H.)	4.38

10% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$145,795
B.	Retirement Age	53
C.	Final Average Earnings	\$74,037
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$50,716
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$11,794
I.	CBBC Factor (F. / H.)	4.30

15% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$141,316
B.	Retirement Age	53
C.	Final Average Earnings	\$77,403
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$53,021
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$11,431
I.	CBBC Factor (F. / H.)	4.64

15% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$145,761
B.	Retirement Age	53
C.	Final Average Earnings	\$77,403
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$53,021
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$11,791
I.	CBBC Factor (F. / H.)	4.50

15% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$149,549
B.	Retirement Age	53
C.	Final Average Earnings	\$77,403
D.	Service at Retirement	31
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$53,021
G.	Annuity Factor	12.3623
H.	Annuitized Contributions (A. / G.)	\$12,097
I.	CBBC Factor (F. / H.)	4.38



CBBC SCENARIOS: RETIREE 3



Retirement Age
62



Service at Retirement
13.2 Years



Annuity Factor
11.1295

No Change

A.	Accumulated Contributions (No Interest)	\$27,547
B.	Retirement Age	62
C.	Final Average Earnings	\$24,312
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,330
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,475
I.	CBBC Factor (F. / H.)	1.75

5% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$27,912
B.	Retirement Age	62
C.	Final Average Earnings	\$25,528
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,546
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,508
I.	CBBC Factor (F. / H.)	1.81

5% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$28,434
B.	Retirement Age	62
C.	Final Average Earnings	\$25,528
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,546
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,555
I.	CBBC Factor (F. / H.)	1.78

5% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$28,857
B.	Retirement Age	62
C.	Final Average Earnings	\$25,528
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,546
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,593
I.	CBBC Factor (F. / H.)	1.75

10% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$28,276
B.	Retirement Age	62
C.	Final Average Earnings	\$26,743
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,763
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,541
I.	CBBC Factor (F. / H.)	1.87

10% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$29,321
B.	Retirement Age	62
C.	Final Average Earnings	\$26,743
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,763
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,634
I.	CBBC Factor (F. / H.)	1.81

10% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$30,168
B.	Retirement Age	62
C.	Final Average Earnings	\$26,743
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,763
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,711
I.	CBBC Factor (F. / H.)	1.76

15% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$28,641
B.	Retirement Age	62
C.	Final Average Earnings	\$27,959
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,979
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,573
I.	CBBC Factor (F. / H.)	1.93

15% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$30,208
B.	Retirement Age	62
C.	Final Average Earnings	\$27,959
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,979
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,714
I.	CBBC Factor (F. / H.)	1.83

15% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$31,478
B.	Retirement Age	62
C.	Final Average Earnings	\$27,959
D.	Service at Retirement	13.72
E.	Early Retirement Factor	0.59
F.	Accrued Benefit	\$4,979
G.	Annuity Factor	11.1295
H.	Annuitized Contributions (A. / G.)	\$2,828
I.	CBBC Factor (F. / H.)	1.76



CBBC SCENARIOS: RETIREE 4



Retirement Age
67



Service at Retirement
35 Years



Annuity Factor
10.1397

No Change

A.	Accumulated Contributions (No Interest)	\$81,653
B.	Retirement Age	67
C.	Final Average Earnings	\$37,088
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$29,114
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,053
I.	CBBC Factor (F. / H.)	3.62

5% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$82,210
B.	Retirement Age	67
C.	Final Average Earnings	\$38,942
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$30,569
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,108
I.	CBBC Factor (F. / H.)	3.77

5% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$83,026
B.	Retirement Age	67
C.	Final Average Earnings	\$38,942
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$30,569
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,188
I.	CBBC Factor (F. / H.)	3.73

5% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$83,722
B.	Retirement Age	67
C.	Final Average Earnings	\$38,942
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$30,569
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,257
I.	CBBC Factor (F. / H.)	3.70

10% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$82,766
B.	Retirement Age	67
C.	Final Average Earnings	\$40,796
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$32,025
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,163
I.	CBBC Factor (F. / H.)	3.92

10% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$84,399
B.	Retirement Age	67
C.	Final Average Earnings	\$40,796
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$32,025
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,324
I.	CBBC Factor (F. / H.)	3.85

10% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$85,790
B.	Retirement Age	67
C.	Final Average Earnings	\$40,796
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$32,025
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,461
I.	CBBC Factor (F. / H.)	3.79

15% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$83,322
B.	Retirement Age	67
C.	Final Average Earnings	\$42,651
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$33,481
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,217
I.	CBBC Factor (F. / H.)	4.07

15% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$85,772
B.	Retirement Age	67
C.	Final Average Earnings	\$42,651
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$33,481
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,459
I.	CBBC Factor (F. / H.)	3.96

15% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$87,859
B.	Retirement Age	67
C.	Final Average Earnings	\$42,651
D.	Service at Retirement	35
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$33,481
G.	Annuity Factor	10.1397
H.	Annuitized Contributions (A. / G.)	\$8,665
I.	CBBC Factor (F. / H.)	3.86



CBBC SCENARIOS: RETIREE 5



Retirement Age
69



Service at Retirement
20 Years



Annuity Factor
9.6836

No Change

A.	Accumulated Contributions (No Interest)	\$54,264
B.	Retirement Age	69
C.	Final Average Earnings	\$35,275
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$15,521
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$5,604
I.	CBBC Factor (F. / H.)	2.77

5% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$54,793
B.	Retirement Age	69
C.	Final Average Earnings	\$37,039
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$16,297
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$5,658
I.	CBBC Factor (F. / H.)	2.88

5% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$55,561
B.	Retirement Age	69
C.	Final Average Earnings	\$37,039
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$16,297
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$5,738
I.	CBBC Factor (F. / H.)	2.84

5% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$56,200
B.	Retirement Age	69
C.	Final Average Earnings	\$37,039
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$16,297
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$5,804
I.	CBBC Factor (F. / H.)	2.81

10% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$55,322
B.	Retirement Age	69
C.	Final Average Earnings	\$38,803
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$17,073
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$5,713
I.	CBBC Factor (F. / H.)	2.99

10% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$56,859
B.	Retirement Age	69
C.	Final Average Earnings	\$38,803
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$17,073
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$5,872
I.	CBBC Factor (F. / H.)	2.91

10% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$58,136
B.	Retirement Age	69
C.	Final Average Earnings	\$38,803
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$17,073
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$6,004
I.	CBBC Factor (F. / H.)	2.84

15% Increase in FAS at Retirement

A.	Accumulated Contributions (No Interest)	\$55,851
B.	Retirement Age	69
C.	Final Average Earnings	\$40,566
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$17,849
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$5,768
I.	CBBC Factor (F. / H.)	3.09

15% Increase in FAS Five Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$58,157
B.	Retirement Age	69
C.	Final Average Earnings	\$40,566
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$17,849
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$6,006
I.	CBBC Factor (F. / H.)	2.97

15% Increase in FAS Ten Years Prior to Retirement

A.	Accumulated Contributions (No Interest)	\$60,072
B.	Retirement Age	69
C.	Final Average Earnings	\$40,566
D.	Service at Retirement	20
E.	Early Retirement Factor	1.00
F.	Accrued Benefit	\$17,849
G.	Annuity Factor	9.6836
H.	Annuitized Contributions (A. / G.)	\$6,203
I.	CBBC Factor (F. / H.)	2.88

SERS CBBC FACTOR

It was moved by _____ and seconded by _____ that based on the advice of SERS' actuary, Cavanaugh Macdonald, and in accordance with R.C. 3309.363(B), the SERS Board selects _____ as the CBBC factor.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbara Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

Memo

To: Retirement Board
From: Richard Stensrud
cc: Karen Roggenkamp
Date: October 13, 2023
Re: **Pensionable Compensation**

Attached for the Board's consideration are materials intended to assist in the Board's ongoing discussions regarding what should qualify as pensionable compensation.

The attached memorandum seeks to pull together key elements of the past discussions, suggest proposed objectives/premises in developing a definition of what constitutes pensionable compensation, and elements the Board may want to consider in assessing how a more expansive definition of pensionable compensation might impact the financial condition of the pension fund.

The second document, prepared by SERS' actuary Cavanaugh Macdonald, models five sample retirement scenarios, based on actual retirements, illustrating how an increase of 5%, 10% or 15% in the Final Average Salary (FAS), immediately prior to retirement, five years prior to retirement, or ten years prior to retirement would have impacted the person's FAS and their retirement benefit, including whether it would have resulted in application of the Contribution Based Benefit Cap (CBBC).

Representatives from Cavanaugh Macdonald will be available to answer any questions or offer perspective regarding the collective impact of potentially higher pensionable compensation and benefits on salary growth, payroll growth, and cash flow.

I hope this information is helpful for identifying how the Board wants to move forward on this topic.

Memo

To: Retirement Board
From: Richard Stensrud
cc: Karen Roggenkamp
Date: October 13, 2023
Re: Considerations in Expanding Pensionable Compensation

Background

The current pensionable compensation parameters are set in statute and by administrative rule. The parameters can be confusing for employers and members, and can be tricky for Staff to administer. Compensation practices have evolved over time with employers now offering different pay elements beyond straight salary. Some are pensionable under current parameters and some are not. Because compensation reporting does not feature specific pay codes, it is difficult to determine if employers are reporting compensation elements correctly.

The availability of pay elements beyond straight salary is typically negotiated between the employer and the employee but at present the opportunity to bargain for and receive such pay elements is not equal across all positions. Currently, obtaining such pay elements is more prevalent for executive positions than it is for collectively bargained or unrepresented positions.

Proposed Objectives

- Treat similar pay elements the same across all positions.
- Simplify the definition of what counts as pensionable compensation so that it is easier for members and employers to understand and easier for Staff to administer.
- Broaden the definition of what counts as pensionable compensation to cover more elements that are paid for 'doing your job.'
- Understand how expanding what counts as pensionable compensation will impact the financial condition of the pension fund.

Observations

As noted above, currently the playing field is not level with respect to the availability of ad hoc pay elements. That could change if the definition of pensionable compensation is broadened, with such pay elements potentially appearing more often in collective bargaining agreements and pay plans for unrepresented positions.

Initially, however, executive positions will likely be the first place where a broader definition of pensionable compensation will have an impact.

Questions to consider:

- What percentage of SERS members are in this category of positions?
- How much will it increase the annual pensionable compensation for those positions?
- How much will it increase the Final Average Salary (FAS) for those members when they retire?
- How much will the retirement benefits increase?

If/when the ad hoc pay elements begin to be seen with other employees, the fiscal impact will be broader. Considerations include:

- How quickly will this happen?
- Will the increase in compensation be on par with that seen in the executive positions or somewhat lower?
- What will be the impact on FAS and pension benefits?
- After the initial surge in pensionable compensation levels, will compensation stabilize?

The actuary uses a salary growth assumption for projecting future salaries and the expected benefit based on those salaries.

- Will the salary growth due to broadening what counts as pensionable compensation exceed the salary growth assumption?
 - If so, it will produce an 'actuarial loss,' which will push downward on the funded ratio.
- Will the salary growth assumption need to be increased or will there just be a period of annual actuarial losses?
 - If the salary growth assumption increases, it will increase the 'normal cost' of the benefits. That will result in fewer contribution dollars being available to pay off the unfunded liability and reduce the amortization period.

The actuary uses a payroll growth assumption for projecting total payroll growth over time and its impact on total benefits and cash flow.

- Will the payroll growth due to broadening what counts as pensionable compensation exceed the payroll growth assumption?
- If so, will the payroll growth assumption need to be increased or will there just be a period of annual actuarial losses?

A higher level of pensionable compensation will also have a potential impact on sustainability and cash flow.

- As noted, higher compensation will yield higher FAS and higher benefits. Will the higher contributions from the higher compensation be sufficient to keep the impact neutral?
- The timing of an increase in compensation is important for maintaining alignment between the benefit and the contributions.
 - Material compensation growth near retirement may not allow the contributions to be invested long enough to fully support the benefit.
 - How many people are there in this category (i.e., nearing retirement)?
 - How might it impact sustainability?
 - Will more people be impacted by the CBBC?
- Higher benefits will have a negative impact on cash flow, but higher contributions will have a positive impact on cash flow.
 - Will they offset?
 - What impact will the timing have – i.e., the contributions will be received before the benefit payments start?

With the expectation that benefits will be higher, mitigating against benefits that are not supported by funding (contributions plus investment earnings) will be important.

- Will the CBBC be enough?
- Should other controls be considered (e.g., a cap on the amount of overtime that will be counted similar to the cap on the amount of cashed-out leave that can be counted)?

Expanding the pay elements that count as pensionable compensation means employers and employees will both be making contributions on compensation they have not previously contributed on. Some employers and employees will be happy to have more count and happy to make the contributions. Others may not like it, particularly budget-constrained employers and lower paid employees.

Memo

To: SERS Retirement Board
From: SERS Legal
CC: Richard Stensrud and Karen Roggenkamp
Date: July 7, 2023
Re: Definition of Compensation Discussion

At the July Board meeting, Legal staff plans to review in detail SERS' current compensation statute (R.C. 3309.01(V)) and rule (O.A.C. 3309-1-02). Staff will also discuss with the Board recent compensation scenarios raised by employers. Based upon feedback received from the Board, at a future Board meeting Legal staff will present different possibilities with respect to the definition of compensation, and potential pros and cons of those definitions.



Review Definition of Compensation

July 2023 Board Meeting

Serving the People Who Serve Our Schools®

SERS' Definition of Compensation



The SERS statute that defines compensation gives the Board discretion to determine whether forms of earnings not addressed in the statutory definition should be included in compensation (R.C. 3309.01(V)(3))

SERS' Definition of Compensation



Compensation is defined in R.C.3309.01(V) and O.A.C. 3309-1-02:

- Salary and wages (statute)
- Any form of earnings not enumerated in R.C. 3309.01(V), as determined by the retirement board by rule (statute)
 - Payments based on standard rate of pay (rule)
 - Payments to an eligible retirement plan (deferred compensation) (rule)
 - Back wages (rule)
 - Differential wage payments (school earnings v. military pay) (rule)
 - Longevity payments (rule)
 - One time or lump sum payment to all persons in a class of employees in lieu of salary or wage increase per a written contract (rule)
 - One time or lump sum payment for additional services (rule)

SERS' Definition of Compensation



The following earnings cannot be included in Compensation:

- Unused leave pay (statute)
- Concurrent vacation pay (statute)
- Amounts paid by employer for insurance (statute)
- Incidentals (lodging, food, parking, laundry, use of employer's property or equipment, reimbursement of expenses) (statute)
- Payments in excess of IRC 401(a)(17) annual limits (statute)
- Leave of absence pay for military service (statute)
- Payments paid in consideration of retirement (statute)

Compensation - Subcategories



Salary, wages (i.e., base pay)	Yes
Cash-out of accumulated leave	No
Deferred compensation plan payments	Yes
Bonus/incentive pay	Yes/No
Lump sum salary pay	Yes/No
Fringe benefits	No
Supplemental program pay (coaching, extracurricular activities)	Yes

Lump Sum Payments: Incentive and Salary



- Categories that generate most questions
- Wide variety
- Definition of compensation does not directly address
 - Brings in lump sum payments if based on rate of pay or for additional services

Sub-Categories of Lump Sum Pay



- Educational/Skill Based Incentive
- Attendance Incentive
- Performance Incentive
- Retention Incentive
- Negotiated payment excluded from base salary/wages



Examples



Examples



\$5,000 stipend in August of each year under term of contract that Treasurer remains employed by the Board

➤ *Not found to be compensation under current rule*

Examples



- \$300 lump sum COVID stipend for obtaining 3 hours of professional development
 - \$1,500 stipend for hourly worker to work greater than 500 hours from 7/1/21 -1/31/22
 - \$250 signing bonus for newly hired custodians/bus drivers
 - \$100 a week to field techs (hourly employees) for covering extra schools
 - \$2,000 quarterly stipend for EMIS coordinator
- ***None of the above were found to be compensation under current rule***

Examples



- Lump sum payment to all staff: \$1,000 plus 1% of salary
 - *Under current rule, \$1,000 was found not to be compensation, but 1% amount was compensation*
- 1% of contracted salary for school year with a minimum of \$500 for all employees
 - *Not found to be compensation under current rule*

Examples



Term in collective bargaining agreement providing for bargaining unit members to receive a one-time stipend of \$1,080 in November 2022 and \$810 in November 2023

➤ *Not found to be compensation under current rule*

Examples



- \$2,000 for annual audit results
 - \$1,000 for forecast accuracy
 - \$1,000 for developing Long Term Capital Plans and
 - \$1,000 for becoming an early adopter of Ohio Checkbook
- *None of the above found to be compensation under current rule*

Examples



Employees who work 30 or more hours a week and who do not use any sick leave and/or personal leave or days without pay during the school year shall be compensated \$200

➤ *Not found to be compensation under current rule*

Examples



Drivers who have no citations or nonchargeable offenses and no at-fault accidents from July 1 through June 30 each year will be paid \$100 the first pay period in September

➤ *Not found to be compensation under current rule*

Examples



Fitness Incentives

- One-time payment each year of \$300-500 based on individual level of fitness
- One time each year of \$200 to employees who do not reach lowest fitness level, but who demonstrate improvement in overall fitness

➤ *Not found to be compensation under current rule*

Examples



Educational aides who receive a two-year associates degree receive \$6,000 above their yearly pay as per the salary schedule

➤ *Not found to be compensation under current rule*



Next Steps

- Policy discussions
- Potential amendments to definition of compensation

EXECUTIVE SESSION

_____ moved and _____ seconded the motion that the Board convene in Executive Session pursuant to R.C. 121.22 (G)(1) to discuss the employment and compensation of a public employee.

IN EXECUTIVE SESSION AT _____ A.M./P.M.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

RETURN TO OPEN SESSION AT _____ A.M. / P.M.

**SERS
TECHNOLOGY
COMMITTEE
REPORT**

Only If Needed

EXECUTIVE SESSION

_____ moved and _____ seconded the motion that the Board go into Executive Session pursuant to R.C. 121.22 (G)(5) to review applications for Disability Retirement Benefits.

IN EXECUTIVE SESSION AT _____ A.M. / P.M.

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Matthew King	_____	_____	_____
Jeffrey DeLeone	_____	_____	_____
James Haller	_____	_____	_____
Catherine Moss	_____	_____	_____
Barbra Phillips	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____
Daniel Wilson	_____	_____	_____
Frank Weglarz	_____	_____	_____

RETURNED TO OPEN SESSION AT _____ A.M. / P.M.

CALENDAR DATES FOR SERS BOARD MEETINGS FOR 2023 **

AUDIT COMMITTEE MEETINGS

December 20, 2023 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

December 21, 2023 – 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

December 21, 2023 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

November 16 – 17, 2023 - 8:30 a.m. (Thurs. and Fri.)

December 21 – 22, 2023 - 8:30 a.m. (Thurs. and Fri.)

**** NOTE: The above dates are *tentative*.**

CALENDAR DATES FOR SERS BOARD AND COMMITTEE MEETINGS FOR 2024 **

AUDIT COMMITTEE MEETINGS

March 20, 2024 – 2:30 p.m. (Weds.)
June 19, 2024 – 2:30 p.m. (Weds.)
September 18, 2024 - 2:30 p.m. (Weds.)
December 18, 2024 – 2:30 p.m. (Weds.)

COMPENSATION COMMITTEE MEETINGS

March 21, 2024 – 7:30 a.m. (Thurs.)
June 20, 2024 – 7:30 a.m. (Thurs.)
July 18, 2024 – 7:30 a.m. (Thurs.) * **Special Meeting** *
September 19, 2024 – 7:30 a.m. (Thurs.)
December 19, 2024 – 7:30 a.m. (Thurs.)

TECHNOLOGY COMMITTEE MEETINGS

March 21, 2024 – 12:30 p.m. (Thurs.)
June 20, 2024 – 12:30 p.m. (Thurs.)
September 19, 2024 – 12:30 p.m. (Thurs.)
December 19, 2024 – 12:30 p.m. (Thurs.)

BOARD MEETINGS

February 15 - 16, 2024 - 8:30 a.m (Thurs. and Fri.)
March 21 - 22, 2024 – 8:30 a.m (Thurs. and Fri.)
April 18 – 19, 2024 - 8:30 a.m. (Thurs. and Fri.)
May 16 – 17, 2024 – 8:30 a.m (Thurs. and Fri.)
June 20 - 21, 2024 - 8:30 a.m (Thurs. and Fri.)
July 18 – 19, 2024 – 8:30 a.m. (Thurs. and Fri.)
September 19 – 20, 2024 – 8:30 a.m. (Thurs. and Fri.) **** Board Picture Day ****
October 17 – 18, 2024 – 8:30 a.m. (Thurs. and Fri.)
November 21 – 22, 2024 – 8:30 a.m (Thurs. and Fri.)
December 19 – 20, 2024 – 8:30 a.m (Thurs. and Fri.)

**** Please note that these dates and times are tentative.**

CONTINUED OR NEW BUSINESS

Board Information Requested

BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

ADJOURNMENT(R)

_____ moved that the SERS Retirement board adjourn to meet on Thursday, November 16, 2023, for their next regularly scheduled meeting.

The meeting adjourned at _____ a.m./p.m.

Frank Weglarz – Chair

Richard Stensrud, Secretary